Instructions for Preparation of the 2015-17 Recommended State Budget

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1. EXECUTIVE SUMMARY

Overview of the Budget Process

The State of North Carolina appropriates operating and capital funds on a biennial, or two year, cycle. An approved budget includes annual amounts for each of the two fiscal years that make up the biennium. Each biennium is referenced by an odd-numbered beginning year and an odd-numbered ending year. For example, the "2015-17 biennium" covers the period from July 1, 2015 through June 30, 2017, and includes fiscal years 2015-16 and 2016-17. Actual biennial budget preparation begins in even-numbered years.

The legislative session convenes for the upcoming biennial budget cycle in January 2015. During this "long" session, the General Assembly will consider the Governor's recommended budget, as well as other changes presented for legislative review. Following legislative review, a two-year budget will be approved by the General Assembly and certified by the Office of State Budget and Management (OSBM) in the summer of 2015.

The operating and capital budgets for the second year of a biennium are adjusted in a "short" legislative session. This process allows the Governor and General Assembly to take into account revenue fluctuations, salary increases, and emergency items. Traditionally, the second year adjustments occur in May and June of even-numbered years.

Upon receipt of budget requests from departments and agencies, OSBM reviews the requests in preparation of the Governor's recommended budget. In accordance with the State Budget Act, the recommended budget for 2015-17 will be finalized and presented to the General Assembly early in the legislative session.

Questions related to budget preparation should be referred to the appropriate budget analyst in the Office of State Budget and Management.

Major Policies and Requirements for Development of the 2015-17 Budget

The following budget instructions will provide context and technical requirements for Departments and agencies in preparing their 2015-17 biennial budget requests. These requests will be submitted to the Governor as Director of the Budget.

Timeliness and deadlines are critical to budget development. Deadlines have been established to ensure the Governor has adequate time to review information and finalize a recommended budget as required by the State Budget Act. Agencies need to focus early on budget planning and policy decisions to ensure all deadlines are met.

OSBM is continuing efforts to integrate and utilize strategic planning and program information in the budget development process. For the 2015-17 biennium, all agencies are required to submit select strategic planning and program information in conjunction with their budget requests. This information will be used to review spending requests during the budget development process and presented online in conjunction with the Governor's recommended budget. Section 7 contains more detailed instructions on these requirements.

Given current expectations for modest economic growth in the 2015-17 biennium, agencies are asked to prioritize requests to focus on gaps and unmet needs for critical services. Agencies are also asked to identify opportunities for efficiencies and savings to enable reallocation of resources to high priority needs. Change requests should go to priority areas with a clear link to the agency's strategic plan. To emphasize this focus, OSBM has adopted policies for base budget adjustments and established limitations for expansion requests. These policies are intended to keep overall budget growth in line with economic growth, while still allowing for modest increases to maintain adequate support for mission critical services.

SB 744, Session Law 2014-100, repealed the previous definition of *Continuation Budget* and replaced it with a new definition for *Base Budget*. The base budget provides the baseline for each agency's budget going into the next biennium before further budget recommendations are made on the expansion or reduction of the agency's budget. The new definition limits the items that can be considered by the Governor in preparing the baseline. So items previously considered in the past such as inflation increases, enrollment growth, operating building reserves, facility adjustments, and other program changes cannot be considered under the new definition. Section 3 will provide instructions on preparing the baseline budget by departments and agencies for the 2015-17 biennium.

General fund appropriation expansion requests shall not exceed two percent (2%) of your agency's 2014-15 BD 307 certified appropriation. In addition agencies are required to submit net two percent (2%) reduction options based on their 2014-15 BD 307 certified appropriation. **Net two percent reductions mean that the sum total of each agency's reduction options and expansion requests together must equate to a minimum general fund net savings of two percent (2%).**

Expansions and reductions should reflect the agency's priorities, meaning it would be better to eliminate a low-priority program and increase spending on high-priority programs than to spread reductions and expansions across the board. If an agency's reduction recommendation involves a program that is statutorily required, the agency must submit a draft of the statutory changes required to eliminate or change the program to generate the savings.

In order to provide sufficient advice and options for the Governor, it is imperative that agencies provide proposals for expansion and reductions in a timely manner. Detailed instructions for submitting expansion and reduction proposals are discussed in Section 4 of these instructions.

Budget Context for 2015-17 Biennium: Key Economic and Demographic Trends

- North Carolina's strong business climate, consistent migration trends, and economic diversity are expected to help North Carolina's economy recover more strongly than neighboring states. North Carolina's real GDP is projected to grow 7.4% over the biennium, 0.5% above neighboring state's median forecasted growth.

- Since the low in February 2010, North Carolina's economy has gained 280,300 jobs. North Carolina is projected to return to pre-recession employment levels in the second half of FY 2014-15. Compared to the previous biennium, North Carolina's total employment is forecast to grow 4.1% over FY 2015-17.

- Inflation is expected to rise moderately during the 2015-17 biennium. The U.S. Consumer Price Index (CPI) is forecast to rise 3.2 percent during the biennium from the prior biennium. The Gross Domestic Product (GDP) implicit price deflator is estimated to increase approximately 1.7% per year over the same period.

- New home construction is expected to continue to ramp up through 2016, but will likely remain below the pace realized in previous recoveries. While rising less rapidly than other parts of the country, prices are forecast to slowly increase over the biennium.

- The General Fund revenue forecast reflects the economic outlook. Growth is projected to remain modest in FY 2014-15 and throughout the FY 2015-17 biennium.

- North Carolina's population is expected to surpass 10.2 million people by July 1, 2017. Over the FY 2015-17 biennium, the population is expected to grow by nearly 203,000 people. This growth is significantly below the rate of the last decade but still totals more than 100,000 people per year. Approximately 65% of this growth is expected to be from net migration.

- The fastest growing sub-group during FY 2015-17 is those 65 and older, projected to grow by 6.9%. Within this group, the 65-74 year old population is expected to grow by nearly 7.3% and the 85 and over population is expected to grow by more than 3.7%. Just over half of the total growth in North Carolina (approximately 103,000 people) is expected to be in the 65 and over population.

- Growth in the prison population is expected to remain lower than in the past. According to the North Carolina Sentencing and Policy Advisory Commission's current population projections, prison population in 2015 is expected to be 37,795, falling to 37,626 by 2017, essentially flat. Prison population change has slowed significantly from the 2000-2009 period, when annual population increases averaged 3%.

2. WHAT'S DUE

2.1 Timetable for the 2015-17 Budget Preparation Process

July-2014

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Please see Section 3, Base budget, to find the location of RK reports mentioned below in IBIS.

Agencies reconcile BEACON salaries and position counts to authorized budget for salaries and position counts (and its totals) for June 30, 2014.

Agencies should generate a RK314 report in IBIS listing all two-year type 11, 12, and 14 budget revisions.

August-2014

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Use a June 30, 2014 BEACON B0149-Summary Positions by fund report and add in Legislative Increase amounts from BEACON B0063-Legislative Increase Summary report to arrive at July 1, 2015 starting salary amounts for Worksheet I.

Agencies should generate a RK314 report in IBIS listing all two-year type 11, 12, and 14 budget revisions.

August 26, 2014: 2015-17 biennial budget instructions will be available on the Office of State Budget and Management website

August 18, 2014: All actions to reconcile and realign salary reserve are completed. All budget revisions marked as recurring will have the Year 2 dollars put into the initial worksheet I. OSBM analyst can remove or add revisions after the initial automated copy of budget revisions

End of August 2014: Legislative Session budgetary actions certified by OSBM through IBIS are updated. IBIS data is transferred to NCAS, including 2014-15 budget revisions and 2014 Legislative Session's actions.

September-2014

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Agencies work on Base budget (Section 3), Expansion and Reduction items (Section 4).

September 4, 2014: Fund Purpose IBIS application available.

September 15, 2014: Worksheet III's will be available

September –October 17, 2014: Agencies/OSBM analysts negotiate Worksheet I adjustments, Reconciliation of Position Counts and Budgeted Salaries verified by departments.

October-2014

	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

October 1, 2014: ITS proposed rates package submitted to OSBM.

October 15, 2014 All Fund Purpose statements are reviewed and edits made by the agency (Section 3)

October 17, 2014: Final Worksheet I adjustments negotiated with OSBM.

October 15-31, 2014: Final Worksheet I adjustments entered into IBIS and submitted to OSBM.

October 31, 2014: All 2015-17 Base budget Worksheet I's are due to OSBM**.** Agencies must submit one hard copy of the Worksheet I document, supporting schedules, and any other relevant supporting documentation to their OSBM analyst. Agencies are also required to attach supporting schedules to the relevant IBIS work forms (Section 3).

October 31, 2014: All 2015-17 Expansion and Reduction items (Worksheet IIs) are due to OSBM (Section 4). Information Technology expansion requests are due to SCIO and OSBM (Section 5).

Strategic Planning and Program Information is due to OSBM Section 7

All Capital Improvement budget items (Worksheet IIIs) due to OSBM (Section 6).

All FY 2015-16 Block Grant Plans and FY 2015-17 special provisions due to OSBM

November-2014

	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

November- February 2015:

OSBM will begin meeting with agencies to share the Governor's draft budget recommendations for the 2015-17 biennium. Agencies will have time to provide feedback on the recommendations.

Agency feedback from the Governor's draft budget recommendations are due to the Office of State Budget and Management.

Governor finalizes the 2015-17 budget recommendations.

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January-2015

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Late January 2015: General Assembly convenes.

February-2015

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

February 12, 2015: Selected agencies will provide their latest enrollment growth cost data (public schools, community colleges, the University of North Carolina System, prisons, and Health and Human Services entitlement programs.)

March-2015

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

March 2015: Governor releases his budget.

Note: All due dates must be strictly observed to ensure the Governor has adequate time to review information and finalize a recommended budget required by the State Budget Act.

2.2 Summary of Items to Submit to OSBM

Required Submissions for the 2015-17 Recommended State Budget

Agency Submissions and Due Dates to OSBM	Where to Enter Data	Where to Find Instructions
Strategic Planning and Program Information ***All items due October 31, 2014***		
Strategic Planning Forms	IBIS	Budget instructions (Section 7)
Agency Mission, Goals, Objectives and Measures	IBIS	Budget instructions (Section 7)
Base Budget ***All items due October 31, 2014***		
Summary of Total Base Budget Requests by Department	IBIS	Budget instructions (Section 3)
Worksheet I – Summary by Purpose; Summary by Account; Fund Detail; Position Count; Reconciliation of Requirements, Receipts, and Appropriations; Reconciliation of Position Counts and Budgeted Salaries	IBIS	Budget instructions (Section 3)
Format for Annualization Schedule (Attachment 3-1) – If Applicable		
Lease Schedule (Attachment 3-2a) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Fund Purpose Statements (web application available September 4)	IBIS	Budget instructions (Section 3)
Change Budget (Expansion and Reduction) ***All items due October 31, 2014***		
Summary List of Expansion Budget Requests (Attachment 4-1)	Excel Spreadsheet	Budget instructions (Section 4)
Worksheet II Expansion Requests – One Form For Each Request in Priority order	IBIS	
Format for Building Reserve (Attachment 4-3) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Equipment Purchase Schedule (Attachment 4-4a) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Motor Vehicle Purchase Schedule (Attachment 4-4b) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Other Vehicle Purchase Schedule (Attachment 4-4c) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Summary List of Reduction Options (Attachment 4-2)	Excel Spreadsheet	
Worksheet II Reduction Options– One Form For Each Reduction Request in Priority order	IBIS	Budget instructions (Section 4)
Information Technology ***Due October 31, 2014***		
IT (Information Technology) IT Expansion Request	PPM Tool Web Form & IBIS	Budget instructions (Section 5)

Capital Improvement Budget ***All items due October 31, 2014***		
Worksheet III-C Summary - Prioritized List of all Capital Budget Requests (Attachment 6-1)	IBIS	Budget instructions (Section 6)
Worksheet III-C Capital Budget Request - For General Fund Supported Requests	IBIS	Budget instructions (Section 6)
Worksheet III-NGF Summary - For non-General Fund Supported Budget Requests	IBIS	Budget instructions (Section 6)
Worksheet III-R Summary - Prioritized List of all R&R Requests	IBIS	Budget instructions (Section 6)
Worksheet III-R Repair & Renovations Request - For Every R&R Request	IBIS	Budget instructions (Section 6)
Worksheet III-R NGF Non-General Fund Summary – For non-General Fund Supported R&R Requests	IBIS	Budget instructions (Section 6)
Additional Information		
Special Provisions – ***Due October 31, 2014***		
Block Grant Plans – ***Due October 31, 2014***		
Fees Information – ***Separate memorandum to be issued***		

Notes:

1) **Requesting a Base Budget is mandatory; therefore, agencies will submit the necessary Base Budget information listed above for all Governmental and Proprietary budget codes.**

2) **All Strategic Planning and Program Information is mandatory.**

3) **Requesting additional appropriations for Expansion and Capital Budget projects is optional. All forms listed above are required only if the agency makes an Expansion or Capital Budget request.**

4) **The submission of Budget Reduction Options is mandatory; therefore, agencies will submit the necessary forms listed above for all Reduction items.**

5) **All forms must be submitted in paper form as prescribed in the Budget Instructions by the due dates indicated.**

3. BASE BUDGET

Session Law 2014-100, Senate Bill 744, repealed the previous definition of Continuation Budget and replaced it with a new definition of Base Budget. The base budget provides the funding necessary to continue the existing, authorized level of services for each year of the biennium. Base budget requests for the 2015-17 biennium are comprised of the authorized budget from 2014-15 and approved adjustments through the Worksheet I process. Increases or decreases made to the authorized budget during the Worksheet I process aim to:

- Annualize programs and positions that were partially funded in the previous fiscal year.
- Remove items funded with nonrecurring funds during the prior fiscal biennium.
- Increase items for nonrecurring reductions during the prior fiscal biennium.
- Adjustments for federal payroll tax changes.
- Rate increases in accordance with the terms of existing leases of real property.
- More accurately reflect anticipated levels of expenditures and receipts.
- Reconciliation of intra-governmental and inter-governmental transfers.
- Other statutory adjustments.

Due to the definition change, items formally included in the Worksheet I process such as inflation increases, enrollment growth, operating building reserves, facility adjustments, and other program changes are no longer allowable. These items are now considered expansions of the base budget and are covered in the Change Budget Section 4.

One hard copy of the requested 2015-17 base budget (Worksheet I and supporting documentation) is due to OSBM by **October 31, 2014.** In addition to the hard copy, any backup attachments must be submitted electronically by attaching the appropriate document to the appropriate IBIS Worksheet I form. The Checklist for 2015-17 Base Budget Requests, located at the link below, is provided to help assemble the final request in the correct order for submission to OSBM. OSBM budget analysts are available to assist departments/agencies in the steps to develop Worksheet I.

The **WORKSHEET I package** includes:

- Checklist for 2015-17 Base Budget Requests
- A Final **Worksheet I** for each budgeted code, which includes the following parts generated by IBIS:
  - Recommended Base Budget – Summary Report (IBIS) [sample]
  - Recommended Base Budget – Summary by Purpose (IBIS) [sample]
  - Recommended Base Budget – Summary by Account (IBIS) [sample]
  - Recommended Base Budget – Fund Detail by Account (IBIS) [sample]
  - Reconciliation of Requirements, Receipts, Appropriation, and FTE (Worksheet I Attachment) [sample]
  - RK 333B Reconciliation Transfers/Receipts (Worksheet I Attachment) [sample]
- Applicable excel **Attachments**, as follows:
  - Attachment 3-1, Annualization Schedule
  - Attachment 3-2a Lease Schedule

3.1 Worksheet I Overview

Preparing Worksheet I is an interactive process. It begins with an initial Worksheet I document that captures data in the current authorized budget. The authorized budget is analyzed to form a "baseline" for the two years of the biennium under request, in this case 2015-17. Agencies work with OSBM to determine appropriate adjustments to the authorized budget and to the adjustments columns of Worksheet I, after analysis and deliberation.

Worksheet I (WSI) is the basic form used in preparing departments/agencies 2015-17 base budget requests. Worksheet I is generated from the Integrated Budget Information System (IBIS) and has multiple parts:

- *Summary Report:* Is the total base budget requests by budget code for a Department. This report provides a grand total of requirements, receipts, appropriations, FTE, increases/decreases, and (if applicable) changes in fund balances for non-general fund codes.

- *Summary by Purpose* – Summarizes total requirements, receipts, and FTE for all funds in a budget code.

- *Summary by Account* – Summarizes accounts across all funds to show a total of each expenditure, revenue, and FTE account for a budget code.

- *Fund Detail by Account* – Level at which budget is prepared. Each fund appears with all applicable expenditure and revenue accounts. Detail request data is used to create summaries by purpose and account for each fund. It also includes position counts by account

- *Reconciliation of Requirements, Receipts, Appropriation, and FTE (Worksheet I Attachment)* – Explains how the authorized budget in IBIS is derived, beginning with the BD307 certified budget, and listing each revision coded to IBIS included in the base budget. For Requirement, Receipts, and Appropriations the information is presented at the budget code level. For information about budgeted position counts and budgeted salaries, information is presented at the fund and salary account level.

- *RK 333B Reconciliation Transfers/Receipts (Worksheet I Attachment)* - Agencies must balance inter- and intra-departmental transfers. The RK 333B report lists only the transfer-out requirement accounts and transfer-in receipt accounts and is run for the entire state. The account titles to tell which agencies receive or transfer-out funds.

By late August 2014, agencies will be able to generate their own initial Worksheet I in IBIS at any time. The Worksheet I is populated with prior year-ending June 2014 actual revenues and expenditures from the North Carolina State Accounting System (NCAS). The actuals should match the BD701 NCAS accounting report. It is also populated with certified and authorized budget amounts, which are comprised of the BD307 for 2014-15, plus any recurring budget revisions approved through August 18, 2014. Agencies should run an RK314 report in the self-

service IBIS report folder. This report will list all budget revisions for a budget code for the current biennium. It will show two important attributes: the recurring flag from the budget revision and the IS_IN_BASE_BUDGET flag. (In the legacy system we used code "B"). OSBM will do the one automated procedure in August 18, 2014 to put every budget revision in the base budget if it has the recurring attribute. After that point OSBM analysts, working with their agencies, will be responsible for deciding which budget revisions go into the base budget (same as in legacy system). IBIS has a new function called Authorized/Certified which will make it easy for analysts to add budget revisions in or to take them out (this corresponds to the legacy function 28). Any budget revisions that are marked as non-recurring but should actually be included in the base budget will have to be included by the OSBM analyst. Budget revisions marked as Type 11's in IBIS change the certified and authorized budgets. Type 12 and 14 budget revisions only impact the authorized budget column.

In the budget preparation process, the authorized budget is the certified budget (or BD307) plus recurring budget revisions flagged with IS_IN_BASE_BUDGET. This is different from the authorized budget in the North Carolina Accounting System (NCAS) BD701 accounting report, which begins with the certified budget but includes all budget revisions approved in the fiscal period (Many revisions to the authorized budget in NCAS are one-time or nonrecurring in nature and are not included in the biennial base budget).

Once OSBM has certified the 2015 short session budget and performs the automated procedure of copying over actuals and recurring budget revisions, agencies and departments should generate an initial Worksheet I before making any adjustments. Save a copy of this Worksheet I to your computer to act as a starting reference before you begin making further adjustments. Your initial Worksheet I will have:

Summary - The initial Worksheet I:

1. Actual column from NCAS-June 29, 2014
2. Certified column will be year 2 of the Original BD307 for 2014-15 plus all approved type 11 budget revisions for 2014-15 which are marked as "recurring".
3. Authorized column will be year 2 of the Original BD307 for 2014-15 plus all approved type 11, 12 or 14 budget revisions for 2014-15 which are marked as "recurring".

An agency can generate a *Reconciliation of Requirements, Receipts, and Appropriation (Worksheet I Attachment)* report from IBIS. This report provides the data explaining the requirements, receipts, and appropriations in the certified and authorized budget columns of Worksheet I, listing changes by budget revision reference number.

3.1a Accessing Reports

Agencies can use the self-service capabilities in IBIS to request individual reports at any time. To access specific reports, please go to the 'Report' folder on the main page and follow the steps listed below:

Public Folders > Self Service Reports > Budget Development Reports >

1. Worksheet I
2. Reconciliation Report (Worksheet I Attachment)

3. RK333B - Reconciliation Transfers/Receipts Report
4. BI09 - Detail Transactions for Worksheet I Report
5. Fund Purpose Statements

Public Folders > Self Service Reports > Budget Execution Reports >

6. Salary Control Summary - Salary Reserve Amounts for 2013-15 Year 1
7. RK329 - Salary Report
8. RK314 - Budget Report Revision List by Category>

3.1b Budget Codes for Which Worksheet I's are Prepared

Worksheet I's are required for budget codes classified as governmental or proprietary by the Office of the State Controller (OSC) under Governmental Accounting Standards Board (GASB), and determined by OSBM to be included in the Governor's Recommended Budget. A list of these budget codes can be found at the link and is also on the OSBM website.

3.1c Explanation of WSI

To aid in the review your agency's initial Worksheet I for accuracy, to familiarize yourself with each column, and to understand and complete the tasks associated with each, please review the summary of Worksheet I components starting on the next page.

Worksheet I Item Name	What It Is	What You Do
Account Code	Reflects the line item account or object number from the NCAS Uniform Chart of Accounts	Ensure the fund and accounts numbers are correct. Contact OSBM if corrections are needed.
Account Title	The account or object title from IBIS for the expenditure and receipt line items. The titles are updated nightly in IBIS from correctly entering information in NCAS.	Make sure titles are accurate and consistent with NCAS title file. If the titles differ, please contact OSBM.
Actuals (E*xpenditures*)	Reflects actual 2013-14 expenditures and revenues transferred by OSBM from NCAS to IBIS.	Compare this information to the actual expenditures reported in the certified NCAS BD701 for June 2013-14. It should be within a few dollars due to rounding of cents.
Certified (*Budget*)	Reflects the 2014-15 certified budget (BD307) issued by OSBM (incorporates all General Assembly actions impacting the 2014-15 budget) plus Type 11 budget revisions coded as recurring in IBIS (actions approved by the General Assembly and recurring in nature, typically the distribution of statewide reserves).	Review all two-year Type 11 budget revisions for FY 2014-15 using the RK314 report in IBIS. This report will help agencies and OSBM analysts to determine which budget revisions should be included or omitted from Worksheet I. In mid-August, IBIS will set all recurring budget revisions to be flagged as IN_BASE_BUDGET. NOTE: After this initial copy of budget revisions into the base budget, any budget revision to be included in the base budget must be negotiated with the appropriate OSBM analyst. Similarly, any budget revision included in WSI in error must be manually omitted by the OSBM analyst. Type 11 budget revisions included in IBIS will revise the certified budget in column and the authorized column.

Worksheet I Item Name	What It Is	What You Do
Authorized (*Budget*)	Reflects the 2014-15 authorized budget, which is comprised of the certified budget (BD307) plus Type 11, 12 and 14 budget revisions. The amounts listed in the authorized budget will become the 2015-17 base budget for that line item if there are no allowable adjustments approved in the 'Incr/Decr' column.	The same process described above is done to determine the authorized budget. Agencies will use the RK314 report from IBIS. In mid-August, IBIS will set all recurring budget revisions to be flagged as IN_BASE_BUDGET. **NOTE:** After this initial setting of budget revisions into the base budget, any budget revision to be included in the base budget must be negotiated with the appropriate OSBM analyst. Similarly, any budget revision included in WSI in error must be manually omitted by the OSBM analyst. Agencies should review all Type 12 and 14 budget revisions to determine if any of the budget revisions listed in the RK314 report should be eliminated (omitted) from WSI. The authorized column is impacted by all budget revisions – Type 11, 12 and 14. **NOTE:** All carry-forward 606s from 2014-15 should be OMITTED from the base budget.
Incr/Decr 2015-16 & 2016-17	These are the Increase/Decrease columns used to make adjustments from the authorized budget in one or both years of the biennial budget that is under request. The increases or decreases in these columns are added to or subtracted from the amount in the authorized budget to produce the amount of recommended budget in each year.	Enter allowable increases/decreases in these columns by using the Worksheet I form in IBIS. See the Worksheet I user guide for assistance in completing the form (IBIS website).
Total 2015-16 & 2016-17	These columns represent the budget requested for each year of the 2015-17 biennium. They are made up of the Authorized Budget column and the Increase/Decrease amounts from the corresponding year.	

3.2 Worksheet I Instructions

The authorized budget for 2014-15 is the starting point for the recommended 2015-17 base budget. Agencies are encouraged to thoroughly analyze and make sure it accurately reflects the base budget, both in total and for each fund.

3.2a Analyzing and Adjusting the Certified and Authorized Budgets

Agencies should examine their 2014-15 authorized budgets for opportunities to generate savings or to redirect budgets from over-funded programs or accounts to those which are under-funded. Depending on the magnitude of such adjustments and the extent to which they impact the scope of a program, OSBM may require these adjustments to be submitted as Worksheet II (WSII) adjustments. Review of the authorized budget during base budget development allows agencies to identify and report budget overages and deficits that impact the ability to deliver existing programs and services outlined in the budget.

1. Realignments - Agencies are encouraged to realign non-personnel expenditure account lines 5322xx – 535xxx within an operating fund to reflect more realistic levels of need for 2015-17. A Type 14 budget revision may be included in Worksheet I. Contact the OSBM analyst regarding any 606 that a department would like to request to include in the Worksheet I. Agencies cannot realign accounts for the sole purpose of gaining an advantage in base budget adjustments.
2. Receipts Adjustments - The State Budget Act, in G.S. 143C-3-5(b)(2)c, requires estimated receipts in the recommended budget to be adjusted to reflect actual collections from the prior fiscal year, unless the Director of the Budget recommends a change that will result in collections that differ from the prior year, or determines there is a more reasonable basis to accurately project receipts.
3. Inter- and Intra-Departmental Transfers - Agencies must balance inter- and intra-departmental transfers. If one fund or agency includes a transfer, the other fund or agency must also include the matching transfer. Use IBIS report RK333B as an aid to reconcile these transfers.
4. Carry-Forward Budget Revisions - Budget revisions that authorized a carry-forward from 2013-14 into 2014-15 should not be included in the Worksheet I.
5. Experimental, Model or Pilot Programs - Programs designated as experimental, model, or pilot must be identified as such either in the base budget or as expansion budget requests, as appropriate, until a succeeding General Assembly approves them. Agencies with programs designated as experimental, model, or pilot must furnish a list of these programs with line item detail with base budget or expansion budget requests.
6. Salary Reserve Realignment - It is essential that the Salary Control function in IBIS reflect correct position and salary information as of **June 30, 2014**. If required, agencies should submit budget revisions to OSBM to align salary reserve to accurately reflect the annual salary requirements in each operating fund, and to eliminate any negative amounts that exist. Salary reserve realignments should be

submitted early in the base budget process**.** It may be necessary to reduce or abolish positions in some instances to eliminate negative salary reserve amounts. Agencies are allowed to retain positive salary reserve amounts in the base budgets. See Section 3.2d for full details on personnel related budgeting.

7. Personnel Related Adjustments (Including Federal payroll tax adjustments) - Agencies are required to reconcile annualized salary budgets to fund payroll commitments (filled positions) and minimum funding to maintain appropriate FTE values for vacant positions. Related employer contributions for social security, retirement and health insurance premiums must be reconciled as well. To the extent the annualized budget for salaries and fringe benefits exceeds requirements; these funds may be redistributed to fund Workers Compensation, Overtime, Shift Differential/Premium Pay or other personnel (1XXX) accounts only.

   Agencies can generate a BEACON B0149-Positions by Funding Source report as of June 30, 2014. They will also need to add in the appropriate July 1st Legislative Increase by running a BEACON B0063-Legislative Increase Summary report to arrive at July 1, 2015 starting salary amounts for Worksheet I. Once agencies have their starting point for salaries, they can apply the rates listed below for each fund and then compare the calculated amount to what is in the authorized Worksheet I budget for each appropriate line item (social security, health, or retirement).

   The fringe benefits rates are as follows:

   Federal Insurance Contributions Act (FICA): 7.65%
   The total combined rate for Social Security and Medicare is 7.65%. The Social Security (OASDI) portion is 6.20% on earnings up to the applicable maximum taxable amount ($117,000); the Medicare portion (HI) is 1.45% on all earnings.

   Teachers and State Employees Retirement Rate: 15.21%

   State Law Enforcement Officers Retirement Rate: 20.21%

   University Employees Optional Retirement Rate: 12.74%

   Consolidated Judicial Retirement rate: 32.70%

   Legislative Retirement System rate: 5.49%

   Health Benefits - maximum employer contributions - $5,378 per year; Medicare-eligible $4,179.

   Retirement and health benefits for permanent state employees who work at least nine months per year and at least 30 hours per week must be included.

8. Reconciliation - Use the Reconciliation reports generated by IBIS to review which budget revisions changed the total appropriation and make sure it is appropriate to be

included in the Base Budget. Make sure all permanent allocations from statewide reserves are included in the Base Budget. If appropriation was transferred between budget codes, make sure both budget revisions are included or both excluded. The totals for the budget code in the Reconciliation Report will match the total certified/authorized columns in the Worksheet I report.

3.2b Requests for Increases/Decreases in the Base Budget

Changes in the increase/decrease columns of WSI are added to or subtracted from the 2014-15 authorized budget to produce the amounts in the 2015-16 and 2016-17 budget columns. The appropriate department personnel will enter adjustments using the Worksheet I form in IBIS. **Departments and agencies should do one form for each unique adjustment category with a thorough explanation of the adjustment on the form (Example: Adjustment to rate increase associated with real property, etc.)**. Once completed, they are submitted to OSBM for review. If more than one change is requested for a particular account, show the components of the change in the explanation section of the WSI IBIS form.

3.2c Allowable Base Budget Adjustments

Allowable adjustments are listed below. In cases where a portion of the increase is supported by receipts, these receipts must be increased to ensure that the account bears the appropriate share of increased costs. Adjustments may be requested as increases or decreases in the Worksheet I for the following purposes:

1. **Receipt-Supported Activities** – Receipts must be adjusted in the increase/decrease columns to the extent needed to accurately project receipts in the budget years under request. G.S. 143C-3-5(b) (2)c requires that the Governor's recommended state budget include accurate projections of receipts, budgeted to prior year actual level of expenditure unless the governor's budget recommends changes that cause receipts to differ from the prior year or determines a more reasonable basis for the projection.

   If an adjustment to general agency receipts provides additional funds, those funds may be used only to support allowable base budget increases. Otherwise, additional general agency receipts are budgeted to reduce state appropriations.

   If an adjustment reflects a decrease in receipts, the budget of the program generating the receipts must be reduced. Replacement of reduced or lost receipts must be an expansion budget request. Changes in expenditure accounts supported by receipts require a corresponding change in the appropriate receipt account.

   A Worksheet I entry should only be done if a 2014-15 budget revision cannot be used to reflect the appropriate level of receipts. An example would be the removal of the requirements and receipts of a grant that is set to expire during the biennium.

2. **Annualization of Programs and New Facilities** – Increases to annualize support in the 2015-17 biennium for programs and new facilities that were funded for only a portion of 2014-15 are allowed. Attach a detailed listing of the request to annualize

programs to the IBIS Worksheet I form when entering the requested increases. An example of the template can be found at this link: Attachment 3-1, Annualization Schedule.

3. **Annualizing Salaries on Worksheet I**
Positions funded on a recurring basis, but funded for only a portion payable amount in 2014-15, must be annualized for 2015-17.

New positions authorized during the 2014-15 fiscal year by the General Assembly are included in the certified and authorized columns of Worksheet I. If positions are effective **after** July 1, 2014, they should be annualized in the increase/decrease columns. Positions scheduled to be abolished with an effective date **after** July 1, 2014 must also be annualized.

Annualization Example: A new position is authorized by the General Assembly effective October 1, 2014 at an annual salary of $47,679. The budget for 2014-15 includes $35,760 for the position for nine months. The difference between the annual salary of $47,679 and the nine month (portion payable) salary of $35,760 is $11,919. The amount of $11,919 is the allowable increase on the agency's Worksheet I. ***Note:*** The employer match for both Social Security and Retirement would reflect increases to match the salary increase as well as an annualizing of the employer's share of health benefits (In short the accompanying fringe benefits should also be annualized).

Agencies are responsible for maintaining current and accurate position salary and position count data. Salaries reflected in the BEACON HR System must not exceed the authorized budget plus any required annualizing of positions. If total salaries in BEACON exceed the authorized budget plus the annualizing of positions, appropriate personnel actions must be taken to adjust BEACON to be within the amounts listed in the Total 2015-16 and 2016-17 columns on Worksheet I.

Note 1: The above references a view at the budget code level. If an individual fund has a higher BEACON salary than authorized budget but the authorized budget at the budget code level is equal to or greater than the amount reflected in BEACON, then please see instructions for 3.2a(6).

***Note 2*:** Any legislative Increases authorized for 2014-15 Short Session of the General Assembly must be reflected in the Worksheet I authorized budget for all employees whose salaries are paid from general fund appropriations. This includes contracted state employees, whose salaries are paid for by transfer of general fund appropriations from one agency to another.

4. **Nonrecurring Items** – All Nonrecurring or one-time items approved by the General Assembly must be removed from the base budget in the increase/decrease columns, including one-time equipment and vehicle purchases included in the 2014-15 authorized budget. The IBIS system will automatically create Worksheet I adjustment forms to reverse any non-recurring entry made during the 2014-15 short

session certification process (from Session Law 2014-100, Senate Bill 744). The forms should be submitted to your OSBM analyst like any other adjustment entry form created by the agency. If the General Assembly budgeted any non-recurring items for 2014-15 during the long session budget process (Session Law 2013-360, Senate Bill 402), the system will not create an automated form. Agencies will have to identify and create a Worksheet I adjustment form for any non-recurring items that were added for 2014-15 during the long session certification process. If agencies have any questions on the removal of one-time items, please contact your OSBM analyst.

5. **Building/Office Lease**
   If agency's have existing leases with automatic rate increases, adjustments are allowed in accordance with the terms of real property the leases. Please complete the support documentation, attachment 3-2a, and make sure it is included as an attachment on the IBIS Worksheet I form.

   - **Building/Office Lease** (Attachment 3-2a – Building/Office Lease Schedule) a building/office lease schedule is required when requested as an exception.

6. **Other Statutory Adjustments (Requires Statute Reference)**
   In a limited number of circumstances the General Assembly has directed, through statute, that certain adjustments be included in the base budget development process. An example is G.S. 121-6(c) for the Department of Cultural Resources. If an agency has authority by statute to include items in the base budget, the statute reference must be included in the justification field of the Worksheet I form. Where there is no specific legal authority to include items in the base budget, the statutory changes must be included in the Change Budget process, Section 4.

3.2d Reconciliation of Salaries and Position Counts on Worksheet

The process for budgeting salaries and positions is described below.

May-June 2014

The agency Salary Control Officer is responsible for reconciling BEACON Human Resources System (referred to in short as "HR" or BEACON) salaries and position counts to the authorized budget for salaries and position counts. At any time, the agency can access a BEACON position report called B0149 from the BEACON portal, and this can be used to make sure the Salary Control totals for the June 30, 2014 HR salaries and position counts match the BEACON totals for June 30. If an FTE change was made in BEACON but not documented on a budget revision, the agency should consult with their OSBM analyst to determine if a budget revision can be approved, or whether the BEACON positions should be changed. After the position counts are equal, the salaries should be compared to make sure the authorized budget is sufficient to support the BEACON position salaries on an annual basis. If the budget is not sufficient, a budget revision or a BEACON adjustment is required. Otherwise, the positions in BEACON must be reduced to make the salary obligations equal to or less than the annual authorized budget.

July-August 2014
Actual FTE Counts: OSBM will automatically load actual FTE counts for all agencies who utilize BEACON. If the actual FTE counts are not loaded onto your Worksheet I or if they are incorrect, agencies can add or adjust the counts using the Worksheet I Actual Form. FTE counts should match the agency's June 30, 2014 finalized numbers for all budgeted codes that have assigned personnel. Agencies can use the June 30, 2014 BEACON B0149 report to check their actual FTE counts against what has been loaded into IBIS.

OSBM will work with agencies to certify the 2014-15 budget in IBIS (Session Law 2014-100, SB 744). These adjustments will appear on the BD307 report.

August 2014
Agencies should run a RK314, list of budget revisions, for 2014-15 in IBIS. This report will help agencies and OSBM analysts determine which budget revisions should be included or omitted from Worksheet I. All recurring budget revisions, unless already flagged as IS_IN_BASE_BUDGET, were copied to IBIS on August 18, 2014. After the initial copy of recurring budget revisions into Worksheet I, agencies will have to contact their OSBM analyst to add or remove budget revisions from Worksheet I.

September-October 2014
After the 2014-15 short session budget is certified by OSBM, the Worksheet I and Reconciliation Reports generated in IBIS for the 2015-17 biennium will have the following attributes: The certified/authorized columns of Worksheet I should include the budgeted salaries and position counts in the BD307 for July 1, 2014 plus the distribution of statewide reserves, reorganizations directed by the General Assembly and other permanent budget revisions authorized by OSBM. The BD307 may cause the position counts to be increased or decreased from the June 30, 2014 totals.

If the General Assembly funded positions with an effective date after July 1, 2014, the positions should be annualized by entering the required adjustments in the increase columns (See instructions for 3.2c).

If there is any movement of positions or salaries between budget codes, the budget revision for both budget codes must be included in the Worksheet I.

3.3 Fund Purpose Statements and Activity & Service Data

There is a new function in IBIS called Fund Purpose Maintenance (FPM). The fund purpose statements from the previous biennium (2013-15) have been loaded into the new IBIS FPM. For any new funds created through IBIS since July 1, 2013, the system populated the FPM from the fund descriptions required on the *IBIS Fund Request* forms. Agencies should review and edit their fund purpose statements from September 4, 2014 through October 15, 2014. After October 15th, only OSBM will have access to edit the fund purpose statements used for publication. Agencies can run the IBIS *Fund Purpose Statements report*, for a listing of all funds along with their titles and descriptions.

Statements that require editing will be made by going to the Fund Purpose Maintenance and pulling up the specific fund you wish to edit.

The Fund Purpose Maintenance form is available in the IBIS portal. Click on "Admin" in the main left-hand navigation and select "Fund Purpose Maintenance". The corresponding report can be found in IBIS under *Self Service Reports / Budget Development Reports/Fund Purpose Statements*.

In addition agencies are required to submit relevant service and activity data to describe who is being served and at what cost for the funding level in the base budget. Information related to the service and activity data may be provided in whatever format the agency has available. To reference service and activity data previously submitted, please refer to FY 2009-11 budget instructions and FY 2009-11 Governor's Recommended State Budget (link provides an example of HHS document).

3.4 Base Budget Attachments and Appendices

Attachments

- **Completed Worksheet I (submit 1 hard copy)**
  - WSI – Recommended Base Budget – Summary Report (IBIS) [sample]
  - WSI – Recommended Base Budget -Summary by Purpose (IBIS) [sample]
  - WSI – Recommended Base Budget -Summary by Account (IBIS) [sample]
  - WSI –Recommended Base Budget- Fund Detail by Account (IBIS) [sample]
  - WSI - Reconciliation of Requirements, Receipts, and Appropriation (Generate in IBIS Reports) [sample]
  - WSI - Reconciliation of Position Counts and Budgeted Salaries [sample]

- **Supporting Schedules (submit 1 hard copy and 1 electronic copy in Excel format)**
  - Attachment 3-1 – Annualizations Schedule [sample]
  - Attachment 3-2a– Lease Schedule (Building/Office Lease) [sample]
  - Base Budget service and activity data (any format)

Online Resources

- 3-1 – Checklist for 2015-17 Base Budget Request
- 3-2 – List of Budget Codes – online Excel file
- 3-3 – WSI Reference Document – sample with explanatory notes (prints on 11x17 paper)
- OSBM *Worksheet I* User Guide on the training tab of the IBIS website.

4. CHANGE BUDGET

The change budget consists of all proposals for expansion or reduction from the base budget. In support of budget and resource planning for the 2015-17 biennium, agencies are asked to identify requests for critical needs as well as opportunities for savings from efficiencies. It is imperative that agencies provide expansion and reduction submissions in a timely manner in order to provide the information and options necessary for the Governor to develop final budget recommendations.

In developing expansion requests, highest priority should be given to gaps and unmet needs for mission critical services. The sum total of all agency General Fund appropriation expansion requests shall not exceed 2 percent of that agency's 2014-15 certified appropriation.

When expansion requests are combined with reduction options, the savings to the General Fund must equal or exceed 2 percent. For example, if your expansion request equals 2 percent, your reduction options must be 4 percent to achieve a minimum general fund net savings of 2 percent. An exception is made for growth in enrollment or populations served for certain agencies listed below in Section 4.1. Budgeting for this growth will be considered outside of the 2 percent threshold, with all other expansion in those agencies being a part of the 2 percent cap. Agencies should have prior written approval from the Office of State Budget and Management (OSBM) if they do exceed the 2 percent limit.

4.1 Expansion Budget Overview

The expansion budget includes the following:

- Growth of Enrollment or Population served for public schools, community colleges, the University of North Carolina System, prisons, and Health and Human Services entitlement programs.
- Additional operating funds above those allowed in the base budget, including new and/or pilot programs.
- Departmental proposals to change a statutorily-controlled program by redirecting funds from one program to another.
- One-time major equipment purchases.
- Continued phase-in of new programs initiated in a previous biennium.
- Information technology projects.
- Funds to replace lost federal funds.
- Statutorily required salary increases

Limitations on Expansion

The sum total of all General Fund appropriation expansion requests (Worksheet IIs) for the 2015-16 and 2016-17 biennium shall not exceed 2 percent of that agency's 2014-15 certified appropriation, unless the agency receives prior written approval from the Office of State Budget and Management. An exception is made for growth in enrollment or populations served for certain agencies listed above. As stated above, budgeting for this growth will be considered outside of the 2 percent threshold, with all other expansion in those agencies being a part of the 2 percent cap.

In addition to General Fund appropriation expansion requests, agencies should also submit Worksheet IIs for expansion requests supported from 100% Non-General Fund sources (federal funds or other receipts) or if an expansion item is supported from cash balances in non-reverting funds. Any expansion request that is related to information technology must conform to the process and requirements found in Section 5 .

4.2 Worksheet II Expansion Budget Overview

The Summary List of Expansion Budget Requests (Attachment 4-1) and the IBIS Worksheet II form must be used for official expansion requests. All expansion documents should be submitted to OSBM by **October 31, 2014**. Agencies should submit the excel *Summary List of Expansion Budget Requests* electronically via e-mail, and submit the IBIS Worksheet II Expansion forms through the IBIS system. Also submit one hard copy of the summary list along with one hard copy of each complete IBIS Worksheet II form on 8 1/2" by 11" paper on the same date. Incomplete requests will not be considered by OSBM.

4.3 Worksheet II Expansion Budget Instructions

4.3a Summary List and Priority of Funding (Attachment 4-1)

On the Summary List of Expansion Requests (see 4-1)**,** summarize each request in priority order into one list of short, concise sentences with the total funds requested shown in the columns for 2015-16 and 2016-17. Each item involving receipts must show total requirements, estimated receipts, and appropriation requested. Show the number of positions directly beneath the requested appropriation. If an item is on the summary list, there should be a detailed IBIS Worksheet II form that corresponds to that item.

- Line 1 indicates the name of the **Agency** submitting the request.
- Line 2 indicates the **Priority Number** for the expansion request. The **Title of Request** is a brief description of the expansion item being requested. If priority number is not indicated by the agency, OSBM will assume that items are listed in priority order starting with the first item on the summary list.
- Line 3 indicates the total **Requirements** for the expansion items for fiscal years 2015-16 and 2016-17, respectively.
- Lines 4a, 4b, and 4c indicate **Receipts** for the expansion request.
- Line 4a indicates **Federal receipts** which support the requirements for the expansion item for fiscal years 2015-16 and 2016-17, respectively.
- Line 4b indicates **Local receipts**, which support the requirements for the expansion item for fiscal years 2015-16 and 2016-17, respectively.
- Line 4c indicates **Other receipts**, which support the requirements for the expansion item for fiscal years 2015-16 and 2016-17, respectively.
- Line 5 indicates **Appropriation** support for the expansion item for fiscal years 2015-16 and 2016-17**,** respectively.
- Line 6 indicates the total **Number of Positions** (rounded to the third decimal) requested for the expansion item for fiscal years 2015-16 and 2016-17**,** respectively.

Note: Repeat the instructions for lines 2 - 6 for each expansion request.

- Line 7 indicates **Total Requirements** for ***all*** expansion items ***requested*** for fiscal years 2015-16 and 2016-17**,** respectively.

- Lines 8a, 8b, and 8c indicate **Total Receipts** for all expansion items requested.
  - Line 8a indicates **Total Federal Receipts**, which support the requirements for the expansion items for fiscal years 2015-16 and 2016-17**,** respectively.
  - Line 8b indicates **Total Local Receipts**, which support the requirements for the expansion items for fiscal years 2015-16 and 2016-17**,** respectively.
  - Line 8c indicates **Total Other Receipts** that support the requirements for the expansion items for fiscal years 2015-16 and 2016-17**,** respectively.

- Line 9 indicates **Total Appropriation** for all expansion items for fiscal years 2015-16 and 2016-17**,** respectively.

- Line 10 indicates **Total Positions** (rounded to the third decimal) for all expansion items for fiscal years 2015-16 and 2016-17**,** respectively.

4.3b Worksheet II Expansion Budget

Funds for expansion items are requested in IBIS on the Worksheet II expansion form. A separate Worksheet II must be completed and submitted by the agency for each expansion item.

For instructions on how to use the form, please refer to the Worksheet II User Guide available on the IBIS website.

Guidance on completion of the Worksheet II

On the Basic information Tab:

- **Priority** indicates the requests ranking among the agency's expansion items.

- **Recurrence** indicates whether the item is Nonrecurring or Recurring. Nonrecurring should be selected for those items occurring only in the first year of the biennium.

- **Worksheet Type** indicates whether the request is an increase or a decrease. For expansion items, "Increase" should be selected as the option in the Create Request menu.

- **Request Type** requires an agency to categorize the request as one of the options available in the drop-down menu.

- The **Title** of the Request for which the Worksheet II is prepared should include enough specificity to identify the request.

- A brief **Description of the Item** should provide a narrative explanation of the request being made.

- The **Problem(s)/Issue(s) Being Addressed** through the expansion request should: Identify the issues, why it constitutes a problem, and why it is appropriate at the current time to address the problem.

- The **Anticipated Outcome/Impact after Implementation of Changes** if the expansion request was granted. Discuss how the expansion request will address the identified problem and the expected result. Use quantified statements as necessary.

- The **Relationship to Agency mission, goals and agency key indicators:** Discuss how the expansion request relates to the agency's mission and goals and how it will influence key performance indicators. Identify connections to the agency's strategic plan as necessary.

On the Positions Tab:

- The Positions Tab indicates the detail of positions requested by **Fund Code, Cost Center, Account Number,** Salary **Grade**, State Personnel **Classification**, **Effective Date**, **Retirement Program, Other Information,** the **FTE** (rounded to third decimal) for fiscal years 2015-16 and 2016-17, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2015-16 and 2016-17. The effective date shall be July 1 unless there are extenuating circumstances that would necessitate a later effective date (such as positions that would support a facility upon the completion of a construction project). Agencies should seek prior approval from your OSBM budget analyst before using an effective date later than July 1.

  Requested Salary Levels:

  - The requested salary level for each new position that is not in a banded class should reflect the midpoint for the appropriate classification as authorized by the Office of State Human Resources, unless otherwise justified in the Narrative. This justification should thoroughly address market conditions, high cost geographic considerations and related factors that prohibit the agency from hiring at the midpoint. (If a position is funded from multiple sources, indicate the source and the percentage of funding from each source in the classification column.)

  - The requested salary level for each new position that is in a banded classification should reflect the established market or reference rate for the requested level of the banded class (contributing, journey, or advanced) as authorized by the Office of State Human Resources, unless otherwise justified in the Narrative. This justification should thoroughly address market conditions, high cost geographic considerations and related factors that prohibit the agency from hiring at the established market or reference rate for the banded class. (If a position is funded from multiple sources, indicate the source and percentage of funding from each source in the classification column.)

  - The FTE shall be rounded to the third decimal.

On the Budget Detail Tab:

- The Budget Detail tab indicates the total requirements, receipts, and appropriation for the expansion request.

- The requirements menu indicates the detail of the **Requirements** for the expansion request. The Account Number and Title are the NCAS expenditure **Account Number** and **Account Title** at the six-digit level of detail.

  The amounts shown in the 2015-16 and 2016-17 columns reflect the incremental change in the funding required to implement the request. The projection of the requirements for future fiscal years should include the incremental change in funding required to continue funding for the request**.** The purpose of this projection is to show where there is increased cost to the state as a result of funding the expansion request. (This would not include projecting future legislative salary increases.)

  Fringe benefits for new positions should be based on the rates shown in Section 3.2a-7.

  Equipment to support new positions should be requested in the year the position is established. Other equipment related to the expansion request should be requested in the appropriate year.

  The Actual 2013-14 and Authorized 2014-15 columns will be pre-populated with information from IBIS and should directly reflect activity related to the expansion request. Since the system will pull all activity related to the fund/accounts keyed into the form, there may be situations where the actuals and authorized numbers reflect an aggregate of multiple activities beyond the specific expansion request. Consult with your OSBM analyst on any changes that may be required.

- The receipts menu indicates the detail of the **Receipts** for the expansion request. The Account number and title are the NCAS receipt **Account Number** and **Account Title** of the Account detail. The amounts shown in the 2015-16 and 2016-17 columns reflect the incremental increase in the level of receipts anticipated for implementation of the expansion request. Whenever possible, agencies should also recommend dedicated receipt or revenue sources that are currently unbudgeted to support their expansion request. If specific statutory authority is needed, attach recommended statutory or special provision language to the Worksheet II form, which can provide authority for dedicated receipt and revenue sources. Agencies should survey and review best practices in other states or government organizations that operate similar programs and analyze the feasibility of dedicated revenue sources, instead of general fund appropriations, to support their expansion requests.

  Note: An agency can complete as many lines as necessary for requirements and receipts. These lines will be compiled in the table of summary totals below.

The Budget Overview tab provides a summary of all requirements, receipts and appropriations entered in the Budget Detail tab.

On the Other Tab:

- **Additional Resources** required from another agency to support the request. Answering "Yes" will require you to specify the name of the agency and the additional cost to it.

- **Impact on Local Government(s).** Answering "Yes" will require an additional explanation.

- **Statutory Changes.** You must indicate whether it is necessary to include a **Special Provision**, a **General Statute** change, or if a new statute is required to implement the request. A draft of the legislation must be attached to the IBIS Worksheet II expansion request.

- **Capital Improvement Project.** If there is a capital improvement project associated with the expansion request, you will be prompted for further information regarding the project. Contact the Capital Improvement Section of OSBM if you have questions about the code number (919-807-4700). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.

- Additional **Space Requirements** per G.S. 120-36.7(c): Answering "Yes" will require additional information regarding: 1) the type of space (office, storage, other) required for the request; 2) the Additional Square Footage Required for the request for fiscal years 2015-16 through 2019-20; and 3) the additional annual Cost of the space requirements for those same years.

- **Motor Pool Requirements:** Each request that requires additional vehicles from the state motor pool must indicate the number required to support the request. If the request requires additional resources from another agency, the details of those requirements should be included in the justification.

- **IT Component Requirements:** Indicate if this request has an IT component and if so, whether that project has been entered in the Office of Information Technology Services' Project Portfolio Management Tool.

Attachments/References

Please attach any documents that support your expansion request to the IBIS Worksheet II form.

Business Case for Lease Purchases and Installment Purchases

An agency should contact their OSBM analyst with any questions about analyzing a lease purchase or installment purchase.

4.4 Types of Expansion Items for Consideration

- **Enrollment or Populations Served (Not Subject to 2% Limitation)** – Increases to reflect changes in the enrollment or population currently served by public schools, community colleges, the University of North Carolina System, prisons, and Health and Human Services entitlement programs should be submitted as an expansion item. Decreases to reflect reductions in enrollment or populations served in any program area must be included in the reduction change budget and will not count toward the agency's 2% reduction. With respect to the public school and community college enrollment, this request may include non-ADM and non-FTE mandatory State Aid requirements up to the actual level of expenditure to continue the existing level of service.

  For the 2015-17 biennium, agencies will submit two separate worksheet II's for enrollment growth. The first worksheet II will be based on enrollment data supporting the FY 2015-16 enrollment adjustments. The 2015-16 adjusting entry will be entered for both years of the biennium. The second worksheet II will estimate the 2016-17 enrollment growth above the 2015-16 level based on agency projections for the second year of the biennium. The Governor will use the 2016-17 projections for consideration of a statewide reserve to handle anticipated growth in the second year of the biennium.

  While agencies will have to do an early projection in crafting their expansion requests, most continue to update those projections in the following months after submission. In order to have the most current information before finalizing the budget, **agencies will provide OSBM with their updated enrollment cost data by February 12, 2015**.

  Special Note for the Department of Public Instruction
  The State Board of Education and the Department of Public Instruction shall issue planning allotments to LEAs after enrollment data has received final approval from OSBM.

- **Operating/Building Reserves** – Operating costs to make facilities operational and functional for authorized capital projects scheduled for completion during the 2015-17 biennium (see Section 6, Capital Budget). Any new programs, activities, or expansion of existing programs and activities associated with capital projects should be included on a separate Expansion Budget Request. The total estimated operating costs for each year must be requested in a reserve account (5371AA). A detailed account breakdown of each reserve must be attached to the corresponding Worksheet II IBIS form. The attachment should include the estimated completion date of the facility provided by the Office of State Construction, number of positions required, proposed classification of each position, and other operating costs. A sample schedule for this required detail breakdown is shown in Attachment 4-3 [sample].

Positions requested through reserves follow the same rates that are listed in Section 3.2a of the instructions.

- **Facility Based Adjustments** – These are applied to accounts typically associated with owning and operating state facilities, which may be impacted by inflation or other economic conditions: water and sewer, electric and natural gas, and fuel oil. Adjustments may be requested to increase funding for specific accounts to the level of actual 2014 expenditures in excess of the higher of the certified or authorized budget.

- **Program Adjustments** - These accounts are typically related to the provision of direct services, care and custody of individuals, or classroom instruction: food, drugs and medical supplies, library books and periodicals, K-12 textbooks and instructional supplies, and gasoline. Adjustments may be requested to increase funding for specific accounts to the level of actual 2014 expenditures in excess of the higher of the certified or authorized budget.

- **Non-Facility Based Operating Accounts**
  These accounts represent the various non-salary administrative operational accounts of agencies, ranging from 53-22XX through 53-59XX. Requests can be made for increases in these non-facility based operating accounts and should contain documented evidence of extraordinary conditions and cost drivers that prevents agencies from maintaining current operational levels in the next biennium and are beyond agency control. The basis for calculating the request is the need as compared to the higher of the certified or authorized budget. There should be a thorough explanation of the agency's request along with the appropriate schedule attached if the request is for equipment, vehicles, or leases. The agency should also attach any other relevant information about the request to the IBIS expansion form when it is submitted to OSBM.

  - **Replacement of Existing Equipment** (Attachment 4.4a)
    An equipment schedule is required when requested as an exception. Increased funding for items such as office equipment (fax machines, copiers, etc.), furniture, and computers will not be considered in the base budget.

  - **Vehicle Replacement** (Attachment 4-4b and Attachment 4-4c)
    a) Licensed Motor Vehicles (Attachment 4-4b) – Replacement of departmentally owned licensed motor vehicles may be requested as an exception. This replacement includes cars, vans, trucks, jeeps, ambulances, buses, etc.

    Additions to the fleet are requested in the expansion budget. Purchase and trade-in amounts for replacement vehicles are determined by each department/agency based on the particular type of vehicle and accessories. Refer to the Vehicle Term Contracts on the Division of Purchase and Contract web site as a basis for purchase amounts. The total purchase

price of vehicles must be included in the appropriate line item. The estimated sales proceeds for the used vehicle must be budgeted as sale of surplus property receipts.

Nonrecurring funds approved in the last biennium for replacement of motor vehicles and included in the authorized 2014-15 budget must be removed from the base budget.

b) Other Vehicles (Attachment 4-4c) – Vehicles which are replaced on an irregular basis, such as farm tractors, combines, crawler tractors, drag lines, front-end loaders, back-hoes and lawn mower type equipment, may be requested as an expansion item. The age, year purchased, mechanical condition, and annual repair/maintenance cost are prime factors in OSBM's consideration of these requests. Requests to replace other vehicles must be for the continuance of the existing programs or services and must not be to expand the capabilities of the facility.

Nonrecurring funds approved in the last biennium for replacement of other vehicles and included in the authorized 2014-15 budget must be removed from the base budget.

- **Statutorily Required Salary Increases, Information Technology, Replace Federal Funds, Continue Phase-in of New Programs, Redirect Statutorily-Controlled Funds Between Programs, all other requests:**
  Any request for additional General Fund appropriation or use of Departmental receipts to support new activity requires the completion of a Worksheet II for consideration. New Information Technology projects should follow the instructions listed in Section 5 of this document.

4.5 Reduction Options Overview

Each state agency shall develop net 2 percent reduction options based on the 2014-15 certified general fund appropriation. For this purpose, a net 2% reduction is the calculation of expansion requests and reduction options such that the savings to General Fund appropriations equals two percent (2%). These reduction options should attempt to minimize the impact on direct services to citizens, as well as the impact on "core mission" government services. Specifically, reduction strategies should do the following:

- Eliminate duplicative and underperforming programs.
- Streamline and consolidate programs, offices and services.
- Reduce operating funds due to service efficiencies.
- Reduce layers of management and administration.
- Budget receipts where appropriate to offset appropriation requirements.

Agencies are encouraged to eliminate low priority programs rather than spreading reductions across the board. When options impact programs or services with a statutory basis, draft legislation should be provided with the reduction option.

To evaluate the reduction options and provide on-going savings, agencies' reduction options must adhere to the following guidelines:

1. Reductions should be recurring.
2. Proposals to eliminate programs, offices, or services should include specific plans for phasing out positions.
3. Reductions to capital improvements projects are not allowed.
4. Negative reserves are not allowed.

Agencies shall work with their OSBM budget analyst when developing their budget reduction options. Detailed instructions for preparing reduction options are provided below. **Agency reduction options are due to OSBM by October 31, 2014.**

4.6 Worksheet II Reduction Options Overview

The Summary List of Budget Reduction Options (Attachment 4-2) and IBIS Worksheet II Reduction Option forms must be used for submitting Reduction Options. Agencies should submit the excel *Summary List of Budget Reduction Options* electronically via e-mail, and submit the IBIS Worksheet II Reduction Option forms through the IBIS system. Also submit one hard copy of the summary list along with one hard copy of each IBIS Worksheet II reduction form on 8 1/2" by 11" paper. Incomplete requests will not be considered by OSBM. All documents should be submitted to OSBM by **October 31, 2014**.

4.7 Worksheet II Reduction Option Instructions

4.7a Summary List of Budget Reduction Options (Attachment 4-2)

All requests for budget decreases will be categorized on the Summary List of Budget Reduction Options form. The Summary List of Budget Reduction Options will comprise all budget reduction options for a Department/Agency. The completed Summary List must be submitted with the detailed Worksheet II Reduction Option forms to OSBM by October 31, 2014.

On the Summary List of Budget Reduction Options**,** summarize each request into one list of short, concise sentences with the total funds requested shown in the columns for 2015-16 and 2016-17. Each item involving receipts must show total decreases for requirements, estimated receipts, and appropriation. Show the number of positions directly beneath the requested appropriation decrease.

- Line 1 indicates the name of the **Agency** submitting the request.

- Line 2 indicates the **Title of Reduction Option.** The title is a brief description of the reduction item being proposed.

- Line 3 indicates the total decrease in **Requirements** for the reduction options for fiscal years 2015-16 and 2016-17, respectively.

- Lines 4a, 4b, and 4c indicate **Receipts** for the reduction option.
  - Line 4a indicates **Federal receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17, respectively.
- Line 4b indicates **Local receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17, respectively.
- Line 4c indicates **Other receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17, respectively.

- Line 5 indicates the decrease in **Appropriation** for the reduction item for fiscal years 2015-16 and 2016-17**,** respectively.

- Line 6 indicates the decrease in **Number of Positions** (rounded to the third decimal) for the reduction item for fiscal years 2015-16 and 2016-17**,** respectively.

  Note: Repeat the instructions for lines 2 - 6 for each reduction option.

- Line 7 indicates the decrease in **Total Requirements** for ***all*** reduction options for fiscal years 2015-16 and 2016-17**,** respectively.

- Lines 8a, 8b, and 8c indicate **Total Receipts** for all reduction options.
  - Line 8a indicates **Total Federal Receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17**,** respectively.
  - Line 8b indicates **Total Local Receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17**,** respectively.
  - Line 8c indicates **Total Other Receipts** associated with the reduction item for fiscal years 2015-16 and 2016-17**,** respectively.

- Line 9 indicates the decrease in **Total Appropriation** for all reduction options for fiscal years 2015-16 and 2016-17**,** respectively.

- Line 10 indicates the decrease in **Total Positions** (rounded to the third decimal) for all reduction options for fiscal years 2015-16 and 2016-17**,** respectively.

4.7b Worksheet II Reduction Options

A separate Worksheet II must be completed by the agency for each reduction item outlined on the Summary List of Budget Reduction Options. All reduction options must be entered and submitted in the Integrated Budget Information System (IBIS) using the Worksheet II Reduction Option form. For instructions on how to use the form, please refer to the Worksheet II User Guide available on the IBIS website.

Guidance on completion of the Worksheet II Reduction Option Form

On the Basic information Tab:

- **Priority** indicates the requests ranking among the agency's expansion items.
- **Recurrence** indicates whether the item is Nonrecurring or Recurring. Nonrecurring should be selected for those items occurring only in the first year of the biennium.
- **Worksheet Type** indicates whether the request is an increase or a decrease. For reductions, you should have selected Decrease as the option in the Create Request menu.
- **Request Type** requires an agency to categorize the request as one of the options available in the drop-down menu.
- The **Title** of the Request for which the Worksheet II is prepared should include enough specificity to identify the request.
- A brief **Description of the Item** for which the Worksheet II is prepared should provide a narrative explanation of the request being made.
- **Necessary Changes in Business Operations or Processes as a Result of this Reduction.** This box should explain the anticipated impact of the reduction on agency programs and operations. This explanation should include the time required to implement changes related to the reduction, including the elimination of any positions. Use quantified statements as necessary.
- The **Anticipated Outcome/Impact after Implementation of Changes** if the submitted reduction is made. Discuss how the reductions will affect the agency's operations and programs related to the agency mission, goals, and agency key indicators.

On the Positions Tab:

- The Positions Tab indicates the detail of positions proposed for elimination by **Fund Code, Cost Center, Account Number,** Salary **Grade**, State Human Resources **Classification**, **Effective Date**, **Retirement Program, Other Information,** the **FTE** (rounded to third decimal) for fiscal years 2015-16 and 2016-17, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2015-16 and 2016-17. The effective date shall be July 1 unless there are extenuating circumstances that would necessitate a later effective date. Prior approval from your OSBM budget analyst is required before eliminating positions with an effective date later than July 1.

  Annual Salary:
  - The annual salary entered for each position proposed for elimination shall reflect the position's current budgeted salary from state appropriation. Reducing the position by less than this amount requires prior approval by your OSBM budget analyst.
  - The FTE shall be rounded to the third decimal.

On the Budget Detail Tab:

- The Budget Detail tab indicates the total requirements, receipts, and appropriation for the reduction option.

- The requirements menu indicates the detail of the **Requirements** for the reduction option. The Account Number and Title are the NCAS expenditure **Account Number** and **Account Title** at the six-digit level of detail.

  The amounts shown in the 2015-16 and 2016-17 columns reflect the change in the funding required to implement the reduction. The projection of the requirements for future fiscal years should include the annualized amount of the reduction.

  Fringe benefits for eliminated positions should be based on the current 2014-15 benefit rates, see Section 3.2a-7.

  The Actual 2013-14 and Authorized 2014-15 columns will be pre-populated with information from IBIS and should directly reflect activity related to the reduction request. Since the system will pull all activity related to the fund/accounts keyed into the form, there may be situations where the actuals and authorized numbers reflect an aggregate of multiple activities beyond the specific reduction request. Consult with your OSBM analyst on any changes that may be required.

- The receipts menu indicates the detail of the **Receipts** for the reduction option (if any). The Account number and title are the NCAS receipt **Account Number** and **Account Title** of the Account detail. The amounts shown in the 2015-16 and 2016-17 columns reflect the change in the level of receipts anticipated for implementation of the reduction option. If specific statutory authority is needed to request additional fees, attach recommended statutory or special provision language.

Note: An agency can complete as many lines as necessary for requirements and receipts. These lines will be compiled in the table of summary totals below.

The Budget Overview tab provides a summary of all requirements, receipts and appropriations entered in the Budget Detail tab.

On the Other Tab:

- **Additional Resources** required from another agency to support the reduction option. Answering "Yes" will require you to specify the name of the agency and the additional cost to it.

- **Impact on Local Government(s).** Answering "Yes" will require an additional explanation.

- **Statutory Changes.** You must indicate whether it is necessary to include a **Special Provision**, a **General Statute** change, or if a new statute is required to implement the reduction option. A draft of the legislation must be attached to the IBIS Worksheet II reduction form.

- **Capital Improvement Project.** If the reduction affects an ongoing capital improvement project, you will be prompted for further information regarding the project. Contact the Capital Improvement Section at OSBM if you have questions about the code number (919-807-4700). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.

- **Space Requirements** per G.S. 120-36.7(c). Answering "Yes" will require additional information regarding: 1) the type of space (office, storage, other) effected by the reduction option; 2) the Square Footage effected for fiscal years 2015-16 through 2019-20; and 3) the annual Cost of the space for those same years.

- **Motor Pool Requirements:** Each request that requires additional vehicles from the state motor pool must indicate the number of additional cars required to support the request. If the request requires additional resources from another agency, the details of those requirements should be included in the justification.

- **IT Component Requirements:** Indicate if this request has an IT component and if so, whether that project has been entered in the Office of Information Technology Services' Project Portfolio Management Tool.

Attachments/References
Please attach any documents that explain your reduction option.

4.8 Change Budget Online Resources

- **Attachment 4-1 – Summary List of Expansion Budget Requests**
- **Attachment 4-2 – Summary List of Reduction Options**

- **Supporting Schedules (submit 1 hard copy and 1 electronic copy in Excel format)**
  - Attachment 4-3 – Building Reserves Schedule [sample]
  - Attachment 4-4a – Equipment Purchase Schedule [sample]
  - Attachment 4-4b – Motor Vehicle Purchase Schedule [sample]
  - Attachment 4-4c – Other Vehicle Purchase Schedule [sample]

5. INFORMATION TECHNOLOGY

5.1 Information Technology Overview

Information technology is defined as electronic data processing goods and services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes including personnel. (G.S. 147-33.81(2))

G.S. 143C-3-3 sets forth requirements, paraphrased as follows:

- Any department desiring to request financial aid from the State for the purpose of acquiring or maintaining technology shall submit to the State Chief Information Officer (CIO) a statement of its needs, and furnish the CIO with any additional information required by the CIO.
- The CIO shall review the statements of need and perform additional analyses as necessary.
- The CIO shall make recommendations to the Governor regarding the merits of the above requests.

5.2 Information Technology Instructions

For information technology requests, there are submission requirements for both the State CIO and OSBM. These include IT projects or projects where there is an IT component, regardless of funding source. In order for the request to be considered, agencies should submit information in both the IT Project Portfolio Management Tool (PPM) and a Worksheet II expansion form in the Integrated Budget Information System (IBIS). **If the IT project is not submitted in both systems, the request will not be considered by OSBM**. See Section 4 for instructions on how to complete the Worksheet II expansion form. For further information on how to submit a request in the online PPM tool, see the 2015-17 IT Expansion Budget Request Instructions at: PPM Tool Instructions. The main PPM portal is located at the following link: **Main PPM Portal** (requires login credentials).

Submissions of IT project information in the online project portfolio tool should be completed by **October 31, 2014**, the same due date as the Worksheet II in IBIS. Attach the corresponding pdf. copy of the final IBIS Worksheet II document to the online PPM submission to the State CIO.

If your agency has IT projects that are moving from the development to the production and operational phase in FY 2015-17, then requests for system Operations and Maintenance (O&M) should be submitted as part of the Change Budget Worksheet II expansion request for Non-Facility Based Operating Accounts (See Section 4 for more information).

Refer to section 3.9 of *The State of North Carolina Budget Manual* for additional details on Information Technology Budget Policies and Procedures.

6. CAPITAL IMPROVEMENT PLAN AND BUDGET

Capital projects, such as land acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations, are submitted as part of the six-year Capital Improvement Plan and Capital Improvement Budget. The Worksheet III process is used to develop the 2015-21 Capital Improvement Plan, with the first two years of the plan guiding the 2015-17 Governor's Recommended Capital Improvement Budget. Both the Capital Improvement Plan and the Capital Improvement Budget are submitted to the General Assembly at the beginning of the 2015 session in January. One-time major equipment purchases must be requested in the operating expansion budget, See section 4.

The Worksheet III forms are designed to assist OSBM with preparing the six-year Capital Improvement Plan in accordance with G.S. 143C-8-5 and will be available through IBIS **September 15, 2014**. Contact your OSBM analyst if you have questions or experience technical problems while completing the Worksheet III forms. You can also access the OSBM Worksheet III user guide on the IBIS website.

Worksheet III forms and all required attachments must be submitted to your OSBM analyst by October 31, 2014.

6.1 Capital Overview

Definitions

Capital Budget Request (C) – any budget request for land acquisitions, new construction, or rehabilitation of existing facilities

Capital Improvement Request (CI) – refers collectively to all types of capital improvement requests including *Capital Budget Requests* and *Repair and Renovation Requests*.

Capital Improvement Plan – the Governor's recommended six-year plan for funding statewide capital improvement projects as required by G.S. 143C-8-5. The first two years of the 2015-21 plan help guide the Governor's recommended Capital Improvement Budget.

Repair and Renovations Request (R&R) – any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping. Note that major comprehensive renovations to a building are considered rehabilitation and should be requested through the Capital Budget Process, not through the Repair and Renovations Process.

HIGHLIGHTS

- **All capital improvement requests must be submitted in the Integrated Budget Information System (IBIS) using the IBIS Worksheet III form. This also includes requests to be funded completely from non-General Fund sources (NGF).**

- **Provide certified OC-25 Cost Estimates for all projects requested for the 2015-21 biennium; OC-25 Cost Estimates for 2017-21 may be agency generated (not certified by SCO).**

6.1a Worksheet III

Worksheet III forms are used for requesting capital improvement funds and identifying capital improvement needs for the 2015-17 biennial budget and six-year Capital Improvement Plan including R&R needs. The Worksheet III process is divided into two parts and requires the submission of the following forms:

6.1b Capital Budget Requests (land acquisitions, new construction, rehabilitation/major renovation projects)

Required Forms:

- *Worksheet III-C Summary (IBIS)* – Lists all Capital Budget Requests supported in whole or part from General Fund appropriations in priority order for the six year planning period (2015-21). DO NOT request all of the department's projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- *Worksheet III-C Capital Budget Request (IBIS)* – Provides project descriptions, justifications, six-year funding schedules, and other CI related information for Capital Budget Requests. This form must be completed for every request (General Fund and non-General Fund) for the 2015-17 biennium. Priorities, Project Titles and funding must match data listed on the *Worksheet III-C Summary and Worksheet III-NGF Summary*.
- *Worksheet III-C NGF Non General Fund Summary (IBIS)* – Lists all Capital Budget Requests supported from 100% non-General Fund appropriations in priority order for the six year planning period (2015-21). Do not list any projects in the first two years for which you do not anticipate having the receipts.

6.1c Repair and Renovation Requests

Required Forms:

- *Worksheet III-R Summary (IBIS)* – Lists all requested R&R projects and costs in priority order for the six year planning period 2015-21. DO NOT request all of the department's R&R projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- *Worksheet III-R Repair & Renovations Request (IBIS)* – Provides project descriptions, justifications, construction schedules, and other CI related information for R&R budget requests. This form must be completed for every request for the 2015-17 biennium. Priorities, Project Titles and funding must match data listed on the Worksheet III-R Summary and Worksheet III-R NGF Summary.

- *Worksheet III-R NGF Non-General Fund Summary (IBIS)* – Lists all requested non-General Fund R&R projects supported from 100% receipts in priority order for the six year planning period 2015-21.

6.1d Additional Submission Requirements

The following forms must accompany the Worksheet III in order for a submission to be considered complete:

- *OC-25 Cost Estimate*
  OC-25 cost estimates are required for every new Capital Budget and R&R project request that is $100,000 or greater in cost. Provide certified OC-25 cost estimates for all projects requested for the 2015-17 biennium; OC-25 cost estimates for 2017-21 may be agency generated (not certified by SCO). Submissions are accepted with OC-25s that have been submitted to State Construction but which are still in the process of being certified. The OC-25 must be certified before **October 31, 2014**. OC-25s certified more than two years ago must be updated by the State Construction Office.

- *Pertinent FCAP Forms for Repair and Renovation Requests.*
  For projects requested in the 2015-17 biennium only.

  G.S. 143C-8-4 requires "each proposed repair and renovation expenditure shall be justified by reference to the Facility Condition Assessment Program (FCAP) operated by the Office of State Construction."

  If the State Construction FCAP team has inspected the facility for which a R&R request is submitted, the FCAP summary spreadsheet or full page form describing the relevant deficiency should be included. To obtain copies of an existing FCAP report, contact State Construction's FCAP unit at 919-807-4135.

- New construction projects must include evidence of an approved site or detailed plan of action for land acquisition.

- ***All submissions must be sent to OSBM electronically.* Worksheet IIIs must be submitted through OSBM's Integrated Budget Information System (IBIS).**
  All Summary Worksheet IIIs are reports generated in IBIS using the information submitted on the Worksheet IIIs. OC-25's can be sent to OSBM as PDF files, which is the same format State Construction uses to email certified OC-25s to state agencies. Attach PDF files with Worksheet III submissions via IBIS. If you only have a paper copy of the FCAP reports and do not have access to a scanner, OSBM will accept this document in paper format.

- OSBM encourages the use of pictures, master plans, reports, maps, site plans, and other relevant correspondence to support Capital Budget and R&R requests. Please submit these documents electronically *if at all possible*. Otherwise, paper copies may be submitted to OSBM.

6.2 Worksheet III Instructions

6.2a Guidelines Applicable to All Worksheet III Forms

- In any field that requires a dollar amount to be entered, round up to the nearest $100. Example: $25,100 – NOT $25,034

- Do not apply formatting to any data or enter dollar signs in the Worksheet III forms. The forms have been pre-formatted to automatically enter dollar signs, boldface, and other formatting styles.

- R&R requests and Capital Budget requests are considered two separate processes that need to be prioritized independently. For example, the Worksheet III-R Summary should start with R&R Priority 1 and list other R&R priorities in descending order. The Worksheet III-C Summary should start with Capital Budget Priority 1 and list other capital budget priorities in descending order.

  In addition, General Fund and non-General Fund capital improvement submissions are considered two separate processes that need to be prioritized independently.

- For R&R requests, the General Assembly historically has not been supportive of large, institution-wide reserves. However, it may be acceptable to lump numerous minor projects together at the department level (ex. minor roof repair reserve). Contact your OSBM analyst if you have any questions.

6.2b Worksheet III-C Summary

This form is used to summarize an institution's Capital Budget requests to include land acquisitions, new construction, and rehabilitation/major renovation projects in priority order. The form is prepared in IBIS using the information provided on the Worksheet IIIs. The IBIS system generates the report after the worksheets are submitted and includes three sections of information:

- Column 1 (**Priority**) - Lists the priority for each project starting with the department's overall top priority for land acquisitions, new construction, and rehabilitation projects The same priority number will not be used for more than one project.

- Column 2 **(Project Title)** - Lists specific project title including the full name of the building when applicable. Titles will be identical to the titles submitted on the individual project request forms (*Worksheet III-C Capital Budget Request*).

- Column 3-8 **(Six Year CI Needs Schedule)** – Lists the projects requirements, receipts, and total appropriation.

  - **Line a. - (Requirements)** - Lists the total requirements to complete the requested project in the year that funds are needed. If requesting a large-scale project that can be divided into phases, requirements are listed across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.

- **Line b. - (Receipts/Other)** - Lists the total amount of non-General Fund receipts that will support the requirements shown in the six year needs schedule on Line a. A "0" is entered if requirements will be entirely supported by General Fund appropriations.

- **Line c. - (Appropriation/General Fund)** - This column subtracts the Estimated Non-General Fund (Receipts) from the Total Requirements.

6.2c **Worksheet III-C Capital Budget Request**

This form is used to provide detailed project information about land acquisition, new construction, and rehabilitation requests supported from General Fund and non-General Fund sources. This form **must be completed for every project** requested for the **2015-17 biennium**; applicable data should be identical to that shown on the Worksheet III-C Summary and Worksheet III-C NGF Summary. An IBIS user guide for Worksheet III is available using OBSM's website: http://osbm.nc.gov/

- **(Priority No.)** - Enter the department priority for the specific Capital Budget Request. This should match the priority shown on the Worksheet III-C Summary List and Worksheet III-NGF Summary List.

- **(Department)** - State agencies enter the department name. UNC system enters Board of Governors. **(Division)** - State agencies enter the division name. UNC system enters the specific campus.

- **(Project Title)** - Enter the title of the requested project as shown on the Worksheet III-C Summary List. **(Location)** - Enter the county where the requested project is located.

- **(Contact, Phone, Email)** - Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division/campus contact here or you may enter the department's contact.

- **(Requirements)** - Enter the total requirements to complete the requested project in the year that funds are needed. If requesting a large-scale project that can be divided into phases, estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.

- **(Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements shown in the six year needs schedule on Line 5a. Enter a "0" if requirements will be entirely supported by General Fund appropriations.

- **(Appropriation/General Fund)** - This line subtracts Receipts from Requirements. For NGF projects, appropriations will be zero.

- **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receipts that are shown on Line 5b.

- **(Type of Project)** - Select **only one** of the project categories. If a capital construction request includes land acquisition and new construction, please select "New Facility." In this case, provide details and a status report on the land acquisition (Project Description).

  (General Information) - Please answer ALL questions.

- **(Project Description)** - Provide a brief **description** of the project to include:
  - an explanation of how the capital request furthers the department's mission
  - extent of work, including square footage by use (Example: The addition adds 10,000 s.f . of office space and 1,500 s.f. of lab space.)
  - number of employees affected by the request (Example: The addition provides space for 10 lab technicians currently housed in crowded conditions.)
  - age and condition of existing facility

- Line 9 **(Agency Selection Criteria) –** Select the criteria used to designate the project as a capital priority. If "Other" is selected, specify the criterion in the field directly below.

- Line 10 **(Project Justification)** - **This is the most important field on the Worksheet III-C.** OSBM places heavy emphasis on an agency's justification when prioritizing capital projects. Explain the need for the requested project and the expected impacts. This is also the field in which Agency Selection Criteria should be supported and justified. Make sure the following questions are addressed for each Agency Selection Criteria:

  Health & Safety Considerations
  - Identification of threats to the public and employees;
  - Probability of the health and safety threat occurring.

  Critical Timing
  - Explain how the request impacts the start or completion of another capital project.

  Agency Mission & Goals
  - Explain how the request is consistent with the agency's mission and goals;
  - Identify if the request is on the agency's long range master plan.

  Growth/Demand for Governmental Services
  - Impact of project on governmental service delivery over the next six years;
  - Include any performance measures to document current and projected service levels. (Example: Projected prison population over next six years and current available capacity.)

  Program Effectiveness
  - Degree to which the request improves program effectiveness or increases program capacity other than "simple" addition of space.

Operational Efficiency

- For requests that realize energy savings through increased efficiency, make sure to quantify cost savings and provide a written description of how these savings will be achieved.

Cost Benefit Analysis

- Describe all other alternatives that were considered and why the specific project request was chosen as the best alternative.

Economic Development

- Describe the project's direct impact on economic development.
- If possible, describe the types of jobs created and estimate the number.
- Explain any potential indirect impacts.

Environmental Hazards

- Identify any environmental hazards that are reduced or removed.
- Describe the severity of the environmental threat and the risk to the public and state employees.

Preservation or Improved Use of Existing Space

- Description of any historic value and preservation activities;
- Explanation of current space deficiencies and the impact of the requested project. OSBM strongly recommends that capital requests to improve existing space be supported by a spatial analysis performed by the State Property Office.

- **(Estimated Schedule of this Project)** - For the estimated project schedule, assume that funds are authorized and available to agencies and universities as of July 1, 2015. Enter the estimated date (Example: 9/1/2015) for each of the four fields.

- If the requested project must be completed before another capital project can move forward, mark "Y." Explain this timing issue. Otherwise, mark "N."

- Describe in detail where the site of new construction will be located.

- If the site is owned by the State of North Carolina, enter "Y." If the site is in the process of being purchased or has not been purchased, enter "N."

- If the proposed site in Line 14 is approved by the State Property Office, enter "Y." If the site is still pending approval or has not been approved, enter "N."

- If the building or facility has been inspected by a FCAP team, enter "Y." If not, enter "N" and proceed to Line 29. If you entered "Y," attach the summary sheet or pertinent pages of the FCAP report. Contact the State Construction FCAP section at 919-804-4135 if you have questions about whether or not an FCAP report exists for the facility.

- If the project request was a deficiency identified in the FCAP team's report, enter "Y." Otherwise, enter "N." If you answered "Y," include the pertinent pages of the

FCAP report in your electronic submission to OSBM. Identify the file name that was used to save the associated FCAP report in the second field.

- **(Required Attachments) - DO NOT leave any of these fields blank.** Enter "Y" beside all attachments that are included with the requested project. In the field to the right of "OC-25," enter the name of the file used to save the OC-25.

  If one of the documents is not required, enter "NR." For example, if the project request is for a new construction project in 2015, enter "NR" beside FCAP Report.

- Refer to Section 6.1d Additional Submission Requirements of the Budget Instructions which outlines in detail the attachments that **must** accompany a Worksheet III-C submission.

6.2d Worksheet III-R Summary and Worksheet III R – NGF Summary

These forms are used to summarize your department's repair and renovation projects in priority order for projects supported in whole or part by General Fund (GF) appropriations and projects supported with 100% receipts (NGF). Please prioritize GF and NGF requests separately. These forms are reports generated in IBIS using the information provided on the Worksheet III submissions.

In information on the Worksheet III-R Summary and NGF Summary for R&R projects is the same as the *Worksheet III-C Summary* report.

6.2e Worksheet III-R Repair & Renovations Request

This form is used to provide detailed project information about your repair and renovation requests. This form **must be completed for every project** requested for the **2015-17 biennium**; applicable data should be identical to that shown on the *Worksheet III-R Summary* and *Worksheet III-R NGF Summary* forms.

- **(Priority No.)** - Enter the department priority for the specific R&R project. This should match the priority shown on the R&R Summary List Form. Do not use the same priority number for more than one project, except for non-General Fund projects. Use the following format for requests supported with 100% receipts (R NGF-1).

- **(Department)** - Enter the department name. **(Division)** - Enter the division name.

- **(Project Title)** - Enter the title of the requested project as shown on the R&R Summary List Form. **(Location)** - Enter the county where the requested project is located.

- **(Contact, Phone, Email)** - Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division contact here or you may enter the department's contact.

- **(Requirements)** - Enter the total requirements to complete the requested project in the year that funds are needed. If you are requesting a *large-scale project* that can be divided into phases, estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.

- **(Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements entered in the six year needs schedule. Enter a "0" if requirements will be entirely supported by General Fund appropriations.

- **(Appropriation/General Fund)** - This line subtracts Receipts from Requirements. This line will be zero for NGF projects.

- **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receipts shown.

- **(Type of Project) -** Select one of the 16 categories that *best* describes the requested project. If the project is an overall renovation to a building then check any of the 16 categories that describe the renovation. If you mark the box for "Other," please describe the category in the space below.

- **(Project Description & Justification)** - Enter a description and justification of the project to include:
    - type of project
    - extent of work including square footage
    - need for the project
    - age and condition of facility
    - date of last significant repair or improvement
    - relationship to other projects planned or under construction
    - *for large-scale projects*, include a short description of other alternatives considered and why the requested project is the preferred solution.

- Estimate the percentage of the total project cost that is directly related to energy efficiency improvements and enter here. Enter the expected energy savings per year. Your OSBM analyst may contact you to obtain documentation verifying projected energy efficiency improvements.

- Include an OC-25 Cost Estimate with your submission and check "Y." **Project requests that do not have an OC-25 will not be considered by OSBM.** Provide certified OC-25 cost estimates for all projects requested for the 2015-17 biennium; OC-25 cost estimates for 2017-21 may be agency generated (not certified by SCO). The OC-25s are not required to be certified when you submit the *Worksheet III* to OSBM. The OC-25 will have to be certified by **October 31, 2014.**

- If the building or facility has been inspected by a FCAP team enter "Y." If not, enter "N" and proceed to Line 16. If you enter "Y," attach the summary sheet or pertinent pages of the FCAP report. Contact the State Construction FCAP section at (919)

804-4135 if you have questions about whether or not an FCAP report exists for the facility.

In the next field, enter the date of the FCAP report or the year on the deficiency form (ex. Def. No. 05-G003 would be the year 2005).

- If the project request was a deficiency identified in the FCAP team's report, enter "Y." Otherwise, enter "N." If you answered "Y," include the pertinent pages of the FCAP report in your submission to OSBM.

  In the second field on Line 15, show the total value of deficiencies shown in the FCAP report.

- Enter the age category of the building(s) - 1-10, 11-25, 26-50, or 50+ years. In the second field on Line 16, enter the insured value (CRV) of the building(s)

- If this project has been planned previously, either through previous appropriations or advance planning authorization, enter "Y." If the project has not been planned or only has minimal design work completed, enter "N."

  If you answered "Y," enter the year the project was first requested in the second field of Line 16 and provide a brief background of the request's history in Line 10 (Project Description & Justification).

- **(Estimated Schedule of this Project) -** For the estimated project schedule, assume that funds will be authorized and available to agencies as of July 1, 2015. Enter date (Example: 9/1/2015) for each of the four fields.

7. PROGRAM BUDGETING

7.1 Program Budgeting Overview

Program Budgeting is a tool to help each state agency explain how well it accomplishes its core functions. Government leaders, elected officials, and citizens can more easily understand why an agency exists and what it does. Agencies can more clearly communicate goals and strategies, evaluate program results, assess past resource decisions, and make well-informed resource decisions for the future.

Through program budgeting, the state aims to creating a budget approach that:

- Increases transparency and usability
- Promotes accountability and proactive management
- Focuses on results and priorities

Each agency should already have a strategic plan that connects its mission to specific goals with measurable objectives. Over the last year, each agency has been engaged with OSBM to refine the program budget structure and supporting budget information. These elements provide the foundation for program budgeting and will be required for this year's budget development process.

7.2 Program Budgeting Requirements

Agencies should submit all required program budgeting information by **October 31, 2014.** At this stage, we will be collecting and presenting summary level information from agency strategic plans in conjunction with program-level budget information in the Governor's Recommended Budget. Therefore, agencies are only required to submit specific elements of their strategic plans and limits have been placed on the number of goals, objectives, and measures that may be submitted. Agencies may provide a link to their complete strategic plan so that interested parties can access additional information as needed.

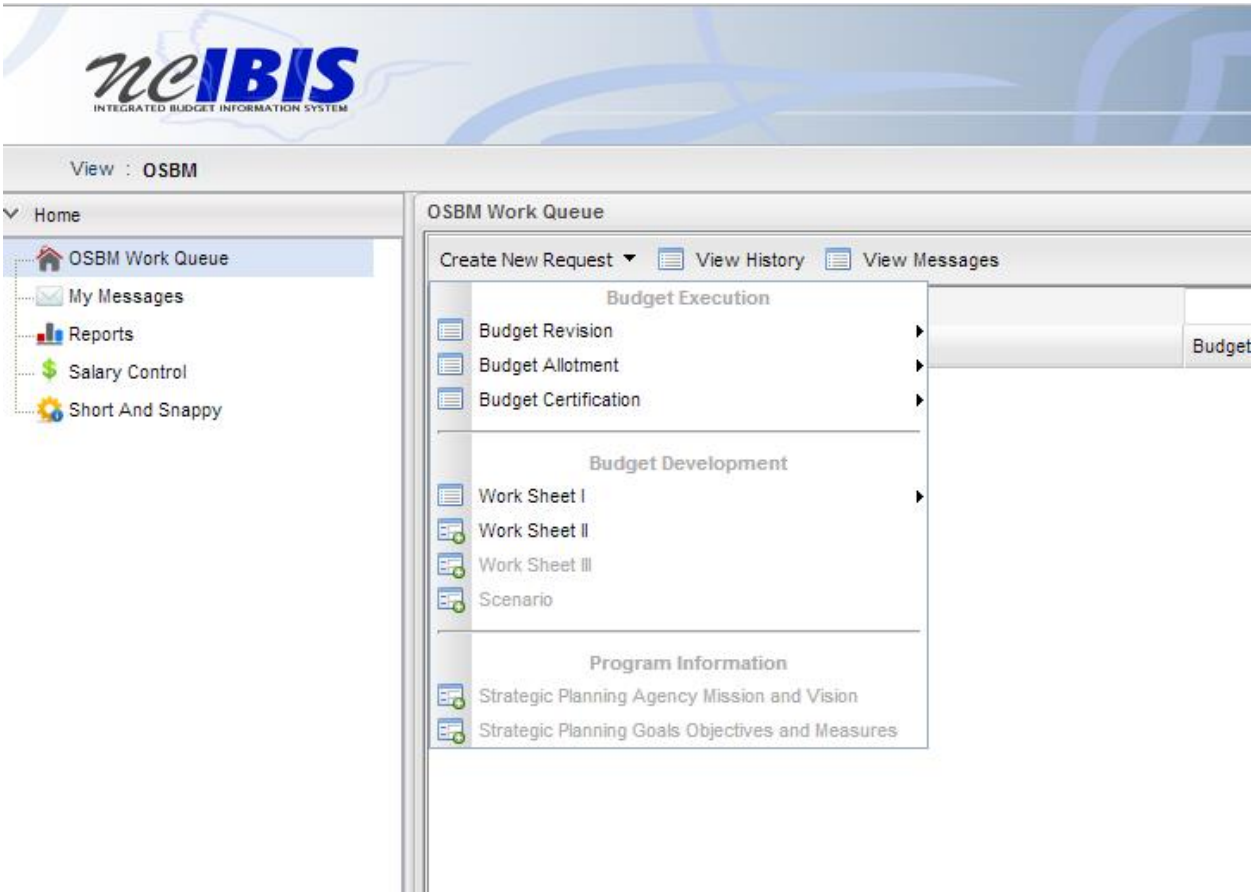
As capabilities in IBIS mature, additional information will be collected at the Strategic Program Area (SPA), so agencies should continue to develop and maintain goals, objectives and measures to assist in managing program resources on a regular basis.

Updated strategic planning guidelines are included in App 7-1 to help agencies prepare the required information. If you have any questions about Program Budgeting, please contact Erin Matteson at erin.matteson@osbm.nc.gov or 919-807-4758.

7.3. Instructions for Completing the Strategic Planning Forms

OSBM created two forms for agencies to submit strategic planning information. These forms are implemented with Adobe Forms Central for this budget development cycle. Users can access the forms through IBIS, but they will look and behave differently than other IBIS forms users are accustomed to using.

To access the forms, click “Create New Request” and select the forms under the “Program Information” header. The first form, “Strategic Planning Agency Mission Vision” will be used to submit agency description, mission, and vision. The second form, “Strategic Planning Agency Goals Objectives and Measures” will be used to collect information on each agency goal.

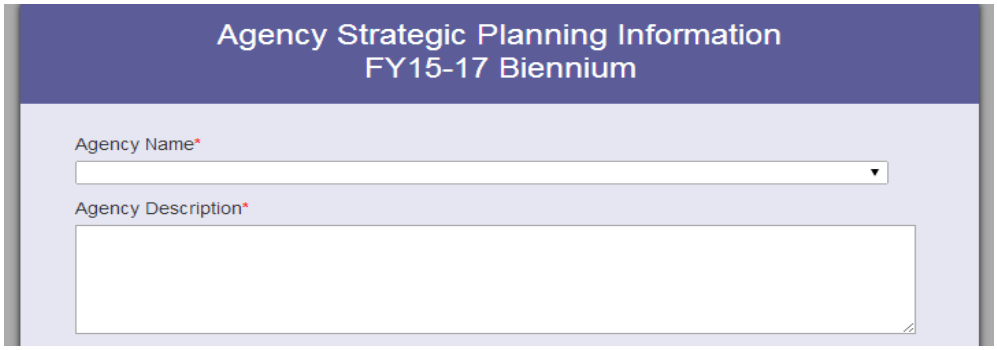


On each form, fields with a red asterisk are required. You may save a form in progress by clicking the link at the bottom right of the form. You must have an email address entered to utilize the save function as you will be emailed a link to return to your partially completed form. Upon completion, you will receive a confirmation email with a copy of the information you submitted. If you need to make modifications to submitted data, please contact Erin Matteson at erin.matteson@osbm.nc.gov or 919-807-4758.

Information submitted on the forms must be consistent with information contained in the agency’s current strategic plan. Specific instructions for completing the items on each form are as follows:

7.3a Strategic Planning Agency Mission Vision

Agency Name and Description – Select the agency name from the drop down list and provide a brief, high level description of the agency's major functions. The description should be concise and suitable for use in publications and presentations to the public. Do not use jargon or acronyms.

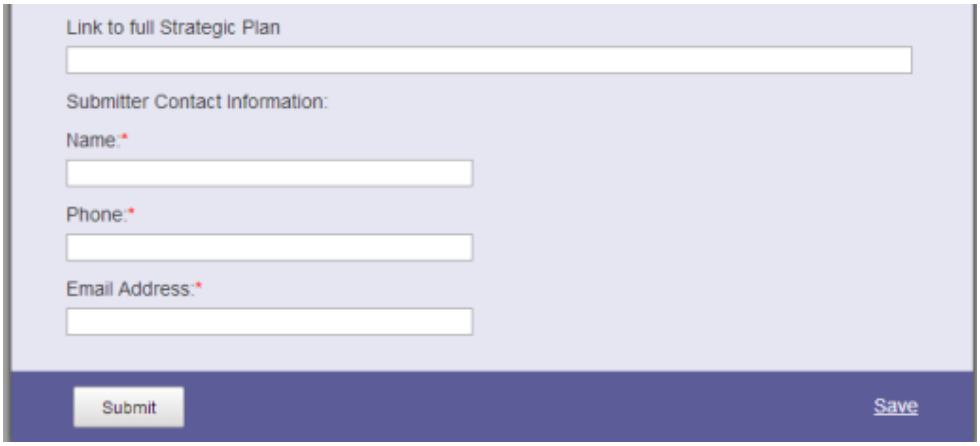


Agency Mission – Enter the agency's mission statement as it appears in the agency's current strategic plan.

Agency Vision (Optional) – Vision statements are optional. If submitting a vision statement, it should be consistent with the agency's current strategic plan.

Link to Full Strategic Plan – Provide the web address for the agency's current strategic plan. This field is optional, but is recommended, particularly for agencies wishing to present information in excess of the established limits.

Submitter Contact Information – Provide the name, phone and email of the individual responsible for the submitted information.



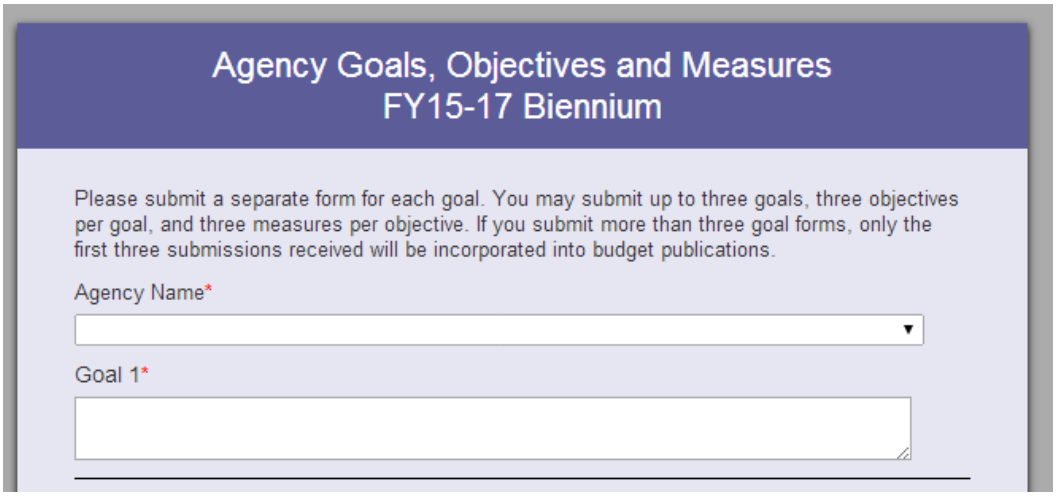
7.3b Goals, Objectives and Measures

For each agency, at least one goal is required (but no more than three). You will need to submit a separate form for each goal. If more than three forms are submitted, only the first three submissions (as determined by timestamp on the submissions) will be included in the budget presentation. Again, a link to your agency plan may be provided to allow users to see additional information

Each goal is also required to have at least one supporting objective (but no more than three), and each objective should have at least one measure (but no more than 3). These limits have been established in order to strike a balance between providing sufficient detail to aid decision-makers and inform the public while not overburdening them with too much information. Internally, agencies may establish and track as many goals, objectives and measures as they deem appropriate to effectively manage their agency. For purposes of reporting to OSBM, agencies should prioritize which goals, objectives and measures to submit.

Agency Name – Select the agency name from the drop down list.

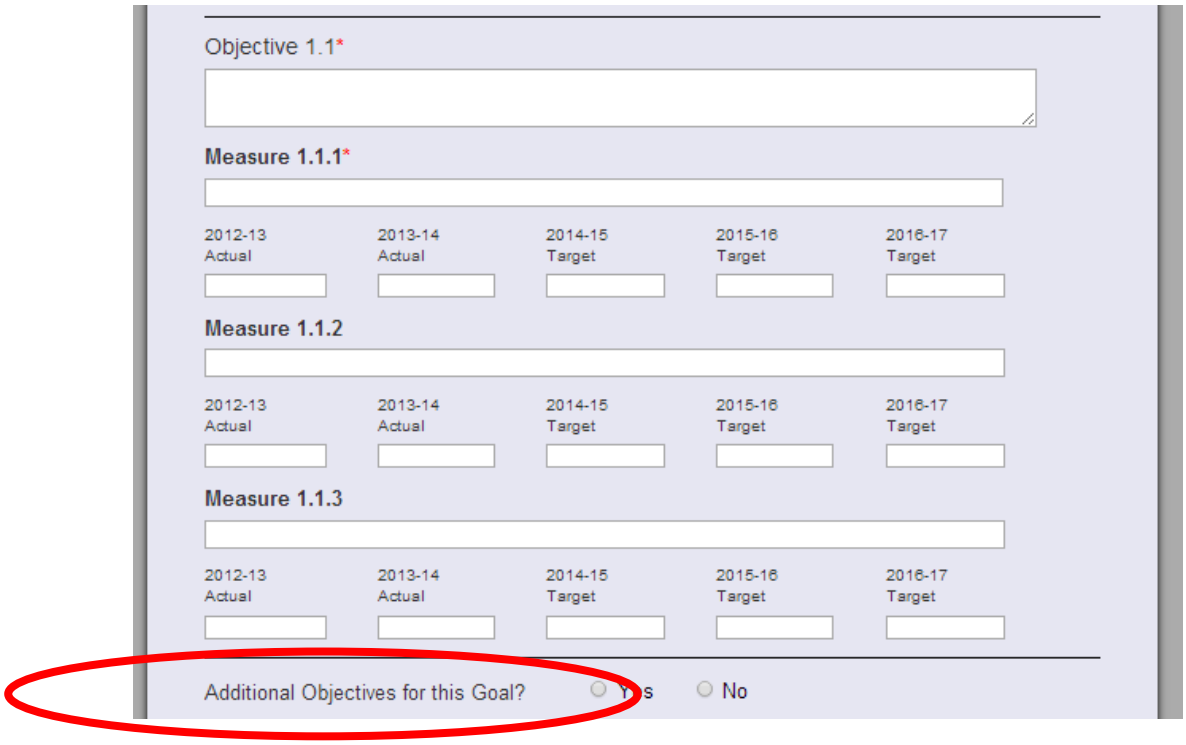
Goal – Enter the goal for which the form is being completed. The goal should be consistent with information contained in the agency's current strategic plan. For additional goals, please submit separate forms.



Objectives – Identify at least one, but no more than three objectives. The objective should be more specific than the goal, articulating a measurable outcome and timeframe for achieving the result (for example, *Increase childhood immunization rate to 85% by 2015).* If entering more than one objective, select "yes" for the question "Additional Objectives for this Goal?" to access additional objective and measure fields.

Measures – For each objective, identify at least one, but no more than three measures for assessing progress towards achieving the objective. For each measure, the following is required:

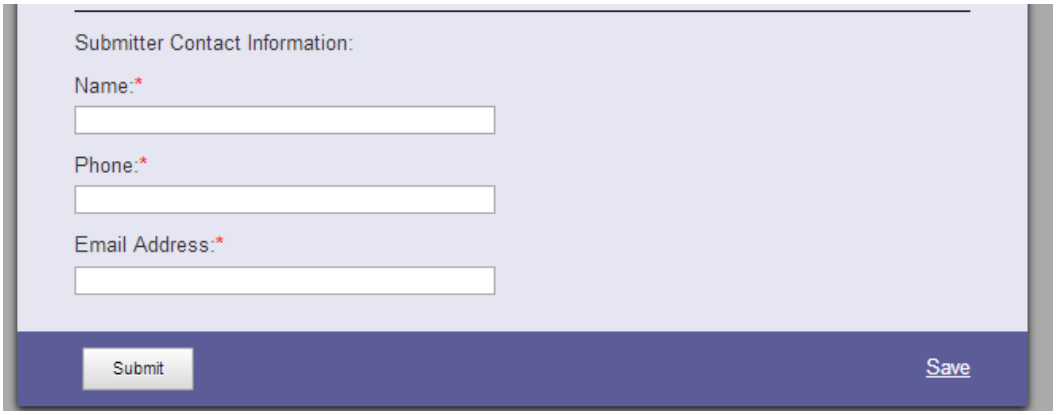
- **Measure title** – Provide a brief title for the measure that is clear and easily understood by the public.
- **Data** – Provide actuals for 2012-13 and 2013-14, and targets for 2014-15, 2015-16 and 2016-17. (Note: Data is reported by fiscal year. If data is only available is based calendar year, please note this in parentheses after the measure title and enter 2012 data in FY2012-13, 2013 data in FY2013-14, etc.) If a measure is new and historical data is not available, enter "NA" for any years for which data is not available.



While not required at this time for submission, agencies should also maintain records on the following for each measure for audit purposes:

- **Trend** – the desired trend for the measure (e.g. disease rate should ideally be decreasing).
- **Data Source** – where the data comes from and how it is collected.
- **Methodology** – how the measure is calculated and whether it is cumulative or non-cumulative.
- **Data Limitations** – any limitations about the data, including factors that may be beyond the agency's control.

Submitter Contact Information – Provide the name, phone and email of the individual responsible for the submitted information.



8. GLOSSARY OF BUDGET TERMS

See the Budget Manual, State of North Carolina, updated on January 1, 2014 on the OSBM website for additional state budget terms.

Annualization
This refers to the process of establishing a full fiscal year budget for items that were funded only for a portion payable amount in the authorized year (Authorized column of the Worksheet I). This typically relates to positions and operating costs for new programs or facilities, but may also be applicable to other appropriations.

Authorized Budget
The authorized budget is composed of the certified budget plus allowable internal budget revisions (type 14 budget revisions) and adjustments that must be approved by OSBM (on type 12 budget revisions) through its statutory authority or acting on behalf of the Governor under the Governor's Constitutional role and authority as Director of the Budget. This is the working budget and is reflected on the Monthly Budget Report (BD701).

Base Budget
The Base Budget is part of the recommended State budget that provides the baseline for the next biennium. The base budget for each State agency shall be the authorized budget for that agency with adjustments only for the following:

a. Annualization of programs and positions.
b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.
c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.
d. Adjustments for federal payroll tax changes.
e. Rate increases in accordance with the terms of existing leases of real property.
f. Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.
g. Reconciliation of intra-governmental and inter-governmental transfers.

Budget Revision
The online Integrated Budget Information System (IBIS) form by which agency budgets may be adjusted and positions established from the budget as enacted by the General Assembly (BD307). The State Budget Act has certain restrictions on these budget transactions.

Budget Stabilization Reserve (Savings Reserve Account)
This account is a restricted reserve from which funds are appropriated by the General Assembly for unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies. The State Controller shall reserve to the Savings Reserve Account 25% of any unreserved fund balance remaining in the General Fund at the end of each fiscal year, as determined on a cash basis (G.S. 143C-4-2) or reserve as directed in the current Appropriations Act enacted by the General Assembly.

Capital Budget Request
This is any budget request for land acquisitions, new construction, or rehabilitation of existing facilities.

Capital Improvement Budget
The capital improvement budget is for real property acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations. These types of expenditures are accounted for in the capital budget code of an agency or institution. (G.S. 143C-1-1(d)(5))

Capital Improvement Request
This refers collectively to all types of capital requests including the Capital Budget Requests and Repair and Renovation Requests.

Capital Improvement Plan
The Governor's recommended six-year plan for funding state-wide capital improvement projects as required by G.S. 143C-8-5. The first two years of the plan will become the Governor's recommended Capital Improvement Budget.

Certified Budget
The certified budget is enacted by the General Assembly and includes adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes directed by the General Assembly but left to the Director to carry out. (G.S. 143C-1-1(d)(7))

Debt Service
Debt service consists of payments for interest on and redemption of outstanding bonds for which the full faith and credit of the state are pledged.

Excess Receipts
These are receipts received for services performed, fines received for violation of state regulations, or federal grants and funds received for specific purposes which exceed the amounts anticipated and budgeted by the General Assembly. When such excess receipts occur in the General Fund or Highway Fund budgets and the receipts are not authorized by OSBM to be used by the agency, they revert to the appropriate fund at the end of the fiscal year.

Expansion Budget
The expansion budget is the part of the budget that provides for new programs, expansion of existing programs, and salary and benefit increases.

Federal Funds
These funds are received from federal government agencies for support of programs on the state level. Federal funds are received through block grants, entitlement programs, and specific grants.

General Fund
The general fund is made up of tax revenues (non-transportation) such as sales tax, individual income tax, corporate tax, insurance premium tax, and franchise tax. In addition, the general fund includes non-tax revenues such as income from the Treasurer's investments, fees received from the court system, miscellaneous fees charged for state services, and transfers from the highway fund and the highway trust fund, and Medicaid disproportionate share receipts.

General Fund Budget Codes
These codes are for the budgets of each agency and institution that are supported from state General Fund revenue and from receipts considered to be general rather than specific in nature.

Highway Fund
The tax and nontax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of the Department of Transportation and support for the Division of Motor Vehicles. The Highway Fund also transfers funding to the General Fund to support the Highway Patrol Division of the Department of Crime Control and Public Safety. Highway Fund tax revenue includes licenses and fees relating to the operation of motor vehicles and the motor fuel tax. Highway Fund nontax revenue includes income from the State Treasurer's investments of Highway Fund dollars.

Highway Fund Budget Codes
These codes are for the budgets of each agency that are supported from state Highway Fund revenue and from receipts considered to be general rather than specific in nature.

Highway Trust Fund
This fund is for the tax revenue on motor fuels, special fuels, and road taxes deposited with the State Treasurer that is earmarked for appropriation for the construction of state-funded roads and bridges.

Integrated Budget Information System (IBIS)
The North Carolina Integrated Budget System (NC IBIS) is a centralized, web-based solution for North Carolina state government budgeting and performance management. IBIS replaces the state's mainframe and Oracle systems and provides a new system for state agencies and OSBM to perform budget planning, development and execution activities.

Lapsed Salaries
Lapsed salary is the dollar amount of salary and associated benefits not expended during the period in which a position is vacant. Lapsed salary funds shall only be used for nonrecurring purposes and line items (G.S. 143C-6-9) and shall not be used for grant-in-aid (6xxx), agency reserves (7xxx), and intra-agency transfers (8xxx).

Legislative Salary Increase (LI Increase)
This is a salary increase given to teachers and state employees by the General Assembly. The increase may be a percentage increase of the base pay, a flat dollar amount per employee, or a

combination of both. These types of increases are reflected in new salary schedules for state employees and for public school personnel.

Longevity Pay
Longevity pay is the salary compensation paid to state employees who have been employed by the state for a certain number of years. The payment is made on the anniversary date when the employee began his or her employment with the state.

Medicaid
This is the assistance program that provides medical care for public assistance recipients, the elderly, and the disabled.

Nonrecurring Appropriation
These are one-time appropriations approved by the General Assembly. All non-recurring appropriations must be removed from the base budget in the increase/decrease columns of the Worksheet I.

Nontax Revenue
This is revenue that is not a tax proceed, and that is required by statute to be credited to the General Fund. (G.S. 143C-1-1(d)(19))

Object or Line Item (Account Numbers)
This is an expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (GS 143C-1-1(d)(20))

Other Receipts
These are the funds received by state agencies and institutions for services performed, such as patient receipts in hospitals, tuition fees in the universities and community colleges, or as fines for violations of state regulations.

Purpose or Program (Fund Number)
This is a group of objects or line items for support of a specific activity outlined in a recommended or enacted budget that is designated by a nine-digit fund code in accordance with the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (G.S. 143C-1-1(d)(23))

Repair and Renovations Request (R&R)
Any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping.

Repair and Renovations Reserve
The Repairs and Renovations Reserve Account is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year. (G.S. 143C-4-3(a))

RK314
RK314 is a listing of Budget Revisions which have been approved during the first year of the current biennium, and which have adjustments for the second year of the biennium. The listing shows the processing codes, total dollars and the subject for each budget revision.

Salary Reserve
Salary reserve refers to the funds remaining on an annual basis when positions are filled at lower levels than budgeted. These funds may be used for salary range revisions and reclassification of positions, subject to approval of the Office of State Human Resources and OSBM.

Senate Bill 1005 – Session Law 2001-424
Language in this ratified bill, the 2001 Appropriations Bill, sets forth requirements for State Chief Information Officer (CIO) review of financial aid requests of $100,000 or greater from the State for the information technology maintenance or acquisition and CIO recommendation to the Governor on the merits of such requests. Subsequent legislation (ratified Senate Bill 991 in 2003) sets forth additional CIO information technology project review and authority for quality assurance.

Special Fund Budget Codes
These codes are for those budgets for each agency that are supported entirely from receipts collected for the specific purposes or services performed by the agency.

State Budget
The total requirements for North Carolina state government agencies and institutions consists of General Fund dollars, Highway Fund dollars, federal funds, and various other receipts and funds. The state budget includes state aid funding for local public school units and local community colleges and institutions. A summary of the state budget can be found on OSBM's website.

State Budget Act
This is the act that governs the budgetary process in North Carolina. It provides the statutory language for development, presentation, authorization, and control of the budget. (G.S. 143C-1-1 through G.S. 143C-10-3)

State Employees Exempt from the Personnel Act (EPA)
These are positions in the state budget funded from various state revenue and receipts that are exempt from the terms and conditions of the State Personnel Act.

State Employees Subject to the Personnel Act (SPA)
These are positions in the state budget funded from various state revenue and receipts that are subject to the terms and conditions of the State Personnel Act.

Tax Revenue
Monies collected by the State of North Carolina as the result of taxes imposed on persons, groups, or businesses within the state for the support of government.

Worksheet I
Worksheet I is a document generated in the Integrated Budget Information System (IBIS) which, when completed, represents the base budget for a budgetary fund. The base budget provides operating funds for each year of the biennium to continue the existing, authorized level of services. Development of the Worksheet I begins with budgetary, position and expenditure data loaded from various systems. The baseline budget is the Authorized budget, adjusted by budget revisions and increased or decreased for the biennium under request as allowed and specified in the OSBM budget instructions.

Worksheet II
This is the agency request for expansion funding. Expansion requests include additional operating funds above those allowed in the base budget; department requests to redirect funds from one statutorily controller program to another; for one-time major equipment purchases; for continued phase-in of new programs; legislatively designated salary increases; and funds to replace lost federal funds.

Worksheet III
Worksheet III is the set of forms used for requesting capital improvement funds and identifying capital improvement needs for the Governor's Recommended Capital Budget and six-year Capital Improvement Plan.